

REPLACEMENT TRANSACTION AGREEMENT

THIS REPLACEMENT TRANSACTION AGREEMENT, entered into as of August [], 2008, between Morgan Keegan Financial Products, Inc (the "Provider"), City of Austin, Texas (the "Counterparty") and Deutsche Bank AG, New York Branch (the "CSP"), as a "Credit Support Provider" of the Provider, for the benefit of the Counterparty, pursuant to the ISDA Master Agreement (1992 Local Currency — Single Jurisdiction), dated as of August [], 2008, between the Counterparty and the Provider (together with the Schedule thereto, the "Master Agreement") This Replacement Transaction Agreement is a "Credit Support Document" specified in the Master Agreement Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Master Agreement Any references herein to a Credit Support Annex, whether described as relating to this Replacement Transaction Agreement or otherwise, shall constitute references to the Credit Support Annex to the Schedule to the Replacement Master Agreement deemed entered into between the CSP and the Counterparty pursuant to this Replacement Transaction Agreement

In consideration of the mutual representations, warranties and covenants contained in this Replacement Transaction Agreement, the Master Agreement and any transaction(s) that may be entered into from time to time between the Provider and the CSP related thereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Provider, the Counterparty and the CSP each hereby agrees, subject to the terms and conditions of this Replacement Transaction Agreement, as follows

1 Representations and Warranties Each party hereby represents and warrants to the other parties as follows

(a) Organization and Qualification In the case of the Provider and the CSP, It is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization and, if relevant under such laws, is in good standing, in the case of the Counterparty, it is a duly organized municipal corporation and a political subdivision of the State of Texas, duly created, validly existing, and acting under the provisions of the Constitution and the laws of the State (including the Counterparty's home rule charter)

(b) Powers It has the power to execute this Replacement Transaction Agreement and any other documentation relating to this Replacement Transaction Agreement that it is required by this Replacement Transaction Agreement to deliver and to perform its obligations under this Replacement Transaction Agreement and has taken all necessary action to authorize such execution, delivery and performance

(c) No Violation or Conflict The execution, delivery and performance of this Replacement Transaction Agreement does not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets

(d) Consents All governmental and other consents that are required to have been obtained by it with respect to this Replacement Transaction Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with

(e) Obligations Binding Its obligations under this Replacement Transaction Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law))

(f) Disclosure of Roles. The Provider represents (and the Counterparty acknowledges) that the Provider and the CSP (and/or their affiliates) have entered into certain arrangements under which they each expect to earn a profit in connection with the Master Agreement and this Replacement Transaction Agreement

(g) Liability The Counterparty hereby acknowledges that neither the CSP nor any of its affiliates shall be liable for any action of the Provider in connection with, or relating to, any Transaction under the Master Agreement or this Replacement Transaction Agreement, except as otherwise provided in the Master Agreement or this Replacement Transaction Agreement

(h) Limited Involvement by the CSP Each party acknowledges that the CSP has entered into this Replacement Transaction Agreement on an arm's-length basis, and has not provided (and is not responsible for) any other document, information or advice that either party may rely upon in making its decision to enter into this Replacement Transaction Agreement, the Master Agreement or any Transaction hereunder or thereunder

2 Replacement Master Agreement

(a) The CSP and the Counterparty agree to be bound by and shall be deemed to have entered into, an ISDA Master Agreement (1992 Local Currency — Single Jurisdiction), dated as of the date hereof, between the Counterparty and the CSP (together with the Schedule thereto, the "Replacement Master Agreement"), having terms identical to those of the Master Agreement, *provided, however*, that (i) references in the Master Agreement to the "Provider" shall be deemed to be references to the "CSP," (ii) the Master Agreement shall be modified as set forth in Exhibit B to this Replacement Transaction Agreement and (iii) notwithstanding anything contained in the Master Agreement or the Replacement Master Agreement to the contrary, neither the CSP nor the Counterparty shall have any obligation to deliver documents under the Replacement Master Agreement (except under any Credit Support Annex) unless and until a Replacement Transaction (as defined below) is entered into as described below. With respect to each Transaction under the Master Agreement, the CSP hereby grants to the Counterparty an irrevocable option under the Replacement Master Agreement to cause the CSP to enter into an identical Transaction under the Replacement Master Agreement (a "Replacement Transaction") upon the terms and conditions set forth in this Paragraph 2(a). Conditioned solely upon the occurrence of an Early Termination Date with respect to the Master Agreement and any or all Transactions thereunder subject, if applicable, to the provisions of Paragraph 3(b) hereof, (i) the

Counterparty shall be entitled to exercise such option, and shall be deemed to have exercised such option, automatically without the need for further action by any party hereto, and (ii) upon exercise of such option by the Counterparty, each of the CSP and the Counterparty agrees to enter into and become bound by, and shall be deemed to have entered into and become bound by, automatically without the need for further action by any party hereto, Replacement Transactions under the Replacement Master Agreement, such that the Counterparty and the CSP each undertake liabilities and obligations towards the other and acquire rights against each other identical in their terms to all such Transactions under the Master Agreement (other than any rights, liabilities or obligations of the "Counterparty" or the "Provider" with respect to payments or other obligations due and payable or due to be performed on or prior to such Early Termination Date, except as expressly provided in Paragraph 4 hereof)

(b) Without limiting the foregoing, if the designation of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder with respect to which the Provider is the Defaulting Party or Affected Party arises solely by reason of a "CSP-Triggered Event" (as defined below), then all Replacement Transactions under the Replacement Master Agreement shall also terminate and shall be deemed to have terminated, automatically without the need for further action by any party thereto, immediately upon becoming effective on such Early Termination Date, the CSP shall be deemed to be the sole Affected Party, and all Transactions shall be deemed to be Affected Transactions

A "CSP-Triggered Event" means an Event of Default or Termination Event with respect to which the Provider is the Defaulting Party or an Affected Party under the Master Agreement where such Event of Default or Termination Event arises solely by reason of an event or condition that is directly attributable to the CSP (as the "Credit Support Provider" for the Provider) or the CSP's obligation to perform pursuant to the terms of this Replacement Transaction Agreement (as the "Credit Support Document" for the Provider).

(c) Upon any transfer and assignment from the Provider to the CSP of the Master Agreement and all Transactions thereunder pursuant to Part 4(m)(1) of the Schedule to the Master Agreement, this Replacement Transaction Agreement shall simultaneously terminate without the need for further action by any party hereto, and no payments shall be owed by either party to the Replacement Master Agreement to the other party thereto in connection with such termination

(d) Unless and until a Replacement Transaction is deemed to have been entered into pursuant to Paragraph 2(a) hereof, the CSP and the Counterparty each agree not to exercise any right to designate an Early Termination Date under the Replacement Master Agreement

3 Substitute CSP

(a) Each of the Counterparty and the CSP agrees that, so long as an Event of Default or Termination Event shall not have occurred under the Master Agreement or any Transaction thereunder with respect to which the Provider is the Defaulting Party or an Affected Party except as hereinafter provided in Paragraph 3(b), the Provider shall have the right at any time and for any reason, to substitute a different "Credit Support Provider" in lieu of the CSP by

requiring that the CSP assign its rights under this Replacement Transaction Agreement (and under any Credit Support Annex related hereto) (i) without the consent of any party, to another entity, having a long-term, senior, unsecured, unenhanced debt rating of at least "Aa3" by Moody's and "AA-" by S&P that is willing to assume the obligations of the CSP under this Replacement Transaction Agreement (and under any Credit Support Annex related hereto) with respect to the Master Agreement and all Transactions thereunder (such entity, a "Substitute CSP"), or (ii) with the consent of the Counterparty, to a Substitute CSP regardless of its ratings

(b) If an Event of Default or Termination Event shall have occurred under the Master Agreement or any Transaction thereunder with respect to which the Provider is the Defaulting Party or an Affected Party, and such Event of Default or Termination Event arises solely by reason of a CSP-Triggered Event, then notwithstanding anything to the contrary contained in the Master Agreement, the Counterparty agrees that it shall not designate an Early Termination Date with respect to the Master Agreement and all Transactions thereunder unless the Counterparty shall have given to the Provider not fewer than thirty (30) days' prior written notice of its intention to designate an Early Termination Date ("Notice of Intended Termination") on a Business Day specified therein. If (i) within fifteen (15) days of its receipt of such Notice of Intended Termination, the Provider shall have notified the Counterparty and the CSP that it intends to provide a Substitute CSP and (ii) within twenty-five (25) days of the Provider's receipt of the Notice of Intended Termination an assignment by the CSP and assumption by the Substitute CSP with respect to this Replacement Transaction Agreement (and any Credit Support Annex related hereto) and the Master Agreement and all Transactions thereunder (in form and substance reasonably satisfactory to the Counterparty) shall have been executed and delivered to the Counterparty, then the replacement of the CSP by such Substitute CSP shall occur in lieu of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder, and an Early Termination Date shall not occur by reason of such Event of Default or Termination Event (as applicable). If no such Substitute CSP assumes the obligations of the CSP in accordance with this Paragraph 3(b) as of the date specified in clause (ii) of the preceding sentence, then the date specified in the Notice of Intended Termination shall be deemed to have been designated by the Counterparty as an Early Termination Date with respect to the Master Agreement and all Transactions thereunder

(c) The CSP hereby covenants and agrees that it shall cooperate with the Provider and the Counterparty in taking such ministerial actions as may reasonably be requested with regard to any Substitute CSP, including, but not limited to, executing any documentation of a ministerial nature necessary to reflect the assignment and assumption of this Replacement Transaction Agreement (and any Credit Support Annex related hereto)

4 Satisfaction of Obligations Under Section 6(e) of the Master Agreement Upon the occurrence of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder, the Settlement Amount and any net Unpaid Amounts that may be owing from the Counterparty to the Provider, or from the Provider to the Counterparty, as applicable, shall be determined and paid or otherwise satisfied in accordance with Part 1(j) of the Schedule to the Master Agreement as modified by Part 5 of the Schedule to the Master Agreement, the provisions of which are incorporated herein by reference as if fully set forth herein. Each of the parties hereto hereby ratifies, confirms and agrees to satisfy its obligations with respect to the agreements, assignments and payments to be made by it in accordance with

such Part 1(j), as modified by Part 5 of the Schedule to the Master Agreement, *provided* that the CSP hereby agrees that it shall perform its obligations under this Replacement Transaction Agreement, irrespective of whether it receives any payments from the Provider under the Master Agreement

5 *Written Agreement as to Any Transaction* Other than the initial transaction(s) to be entered into on or about August [] 2008 (the "Initial Transactions") which shall be subject to this Replacement Transaction Agreement and the Master Agreement upon execution hereof, no Transaction shall be subject to the Master Agreement, and neither the Provider nor the Counterparty shall have any right or benefit under this Replacement Transaction Agreement or the Master Agreement with respect to any Transaction, unless Exhibit A to this Replacement Transaction Agreement, as such Exhibit A may be updated from time to time in connection with the addition of Transaction(s), (i) references the related Confirmation, and (ii) with such reference, is executed by each of the Provider, the Counterparty and the CSP. In connection with the foregoing, each of the Provider and the Counterparty agrees and covenants not to enter into any Transaction (other than the Initial Transactions) under the Master Agreement that is not subject to this Replacement Transaction Agreement

6 *Role of the CSP* Notwithstanding anything contained in this Replacement Transaction Agreement, the Master Agreement or the Confirmations thereunder to the contrary, unless and until an Early Termination Date has occurred pursuant to and with respect to the Master Agreement and any or all Transactions thereunder, the CSP shall have no obligations under this Replacement Transaction Agreement except as expressly provided in Paragraph 3 hereof, *provided, however*, that each of the parties hereto (including the CSP) shall be responsible for the representations made by it pursuant to Paragraph 1 hereof

7 *Bankruptcy Code* It is the express intention of the Provider, the Counterparty and the CSP that (i) the Master Agreement and all Transactions thereunder and this Replacement Transaction Agreement (including, without limitation, the option granted in Paragraph 2(a) hereof), a Replacement Master Agreement deemed entered into pursuant to Paragraph 2(a) hereof and any Credit Support Annex between the Counterparty and the CSP relating hereto shall collectively constitute a single agreement, (ii) the foregoing, together with all Replacement Transactions, shall each constitute a "swap agreement" as defined in section 101(53B) of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") and (iii) the parties shall each constitute a "swap participant" under section 101(53C) of the Bankruptcy Code, in each case subject to and entitled to the exemptions and protections afforded by sections 362(b)(17), 362(o), 546(g), 548(d) and 560 of the Bankruptcy Code

8 *Security Interest* The Counterparty hereby acknowledges and agrees that the Provider may grant a security interest in all of its right, title and interest in and to the Master Agreement and any or all Transactions thereunder to the CSP

9 *No Modification* Each of the Counterparty and the Provider agrees that any amendment, supplement, waiver or other modification of any of the terms or conditions of the Master Agreement or any Transaction thereunder shall be in writing and shall be subject to the prior written consent of the CSP. Any amendment, supplement, waiver or other modification of any of the terms or conditions of the Master Agreement or any Transaction thereunder effected

without the prior written consent of the CSP shall be void *ab initio* and have no force and effect with respect to the Master Agreement or any Transaction thereunder

10 Assignment of Rights and Subrogation. Upon the occurrence of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder and entering into Replacement Transactions under the Replacement Master Agreement in accordance with Paragraph 2(a) hereof, the Counterparty agrees that it shall be deemed to have assigned to the CSP, and the CSP shall be expressly subrogated to, and shall otherwise be entitled to, any and all rights of the Counterparty as against the Provider arising under the Master Agreement or any Transaction thereunder. Each of the Counterparty and the Provider expressly acknowledges and agrees to the assignment of rights and subrogation provided for in the preceding sentence.

11 Further Assurances. Each of the parties hereto agrees to execute and deliver such documents, and to take such further actions, in each case of a ministerial nature, as may reasonably be requested by any party hereto in order to effectuate the express terms, or the clear purpose and intent, of any of the provisions contained in this Replacement Transaction Agreement.

12 Notices. The address for notice or communication to the CSP is as follows:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, New York 10005
Attention: Patrick Marsh
Facsimile: (212) 797-2210 or (212) 797-2218

The address for notice or communication to the Provider or the Counterparty shall be as specified in the Master Agreement. Notices under this Replacement Transaction Agreement shall be subject to and governed by the notice provisions of the Master Agreement as if given thereunder.

13 GOVERNING LAW. THIS REPLACEMENT TRANSACTION AGREEMENT SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

14 Waiver of Jury Trial. THE PARTIES HERETO, TO THE FULLEST EXTENT PERMITTED BY THE TEXAS CONSTITUTION AND APPLICABLE LAW, WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ENFORCING OR DEFENDING ANY RIGHTS UNDER THIS AGREEMENT OR RELATING THERETO. EACH OF THE PARTIES ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION HAVE BEEN BARGAINED FOR AND THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION THEREWITH. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT OR THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF

THE PARTIES HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF THE PARTIES HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY IS WAIVING ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY A COURT (RATHER THAN BY A JURY) UNDER THIS AGREEMENT.

15 Amendments No amendment, modification or waiver in respect of this Replacement Transaction Agreement will be effective unless in writing (including a writing evidenced by facsimile transmission) and executed by each of the parties.

16 Counterparts This Replacement Transaction Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed to be an original.

IN WITNESS WHEREOF, the parties have executed this Replacement Transaction Agreement by their duly authorized officers as of the date hereof.

Morgan Keegan Financial Products, Inc

By _____
Name
Title

City of Austin, Texas

By _____
Name
Title

Deutsche Bank AG, New York Branch

By _____
Name
Title

By _____
Name:
Title

EXHIBIT A

Transactions Under the Master Agreement Subject to the Replacement Transaction Agreement

(1) Transaction described in, and provided for pursuant to, the Confirmation, dated as of ____, 200[8], bearing [Trade Reference Number _____], between the Counterparty and the Provider, which Transaction is subject to the Master Agreement and the Replacement Transaction Agreement

Dated as of ____, 200[8]

Morgan Keegan Financial Products, Inc

By _____
Name
Title

City of Austin, Texas

By _____
Name
Title

Deutsche Bank AG, New York Branch

By _____
Name
Title

By _____
Name
Title

EXHIBIT B

Modifications to the Master Agreement for Purposes of the Replacement Master Agreement

- 1 Part 1(b) of the Schedule shall be deleted in its entirety and replaced with the following

“(b) **“Specified Transaction”** will have the meaning specified in Section 12 of this Agreement, except that with respect to the Counterparty, such term shall include only those transactions described therein pursuant to which the Counterparty’s obligations are payable in whole or in part from Pledged Revenues.”
2. Part 1(d) of the Schedule shall be deleted in its entirety and replaced with the following

“(d) **“Specified Indebtedness”** has the meaning specified in Section 12 except that (i) Specified Indebtedness shall not include indebtedness in respect of bank deposits received in the ordinary course of business, and (ii) with respect to the Counterparty, such term shall include only those obligations payable in whole or in part from Pledged Revenues ”
- 3 Part 1(e) of the Schedule shall be deleted in its entirety and replaced with the following

“(e) **“Threshold Amount”** means (i) with respect to the Provider or any Credit Support Provider of such party, 1% of its shareholders’ equity (determined in accordance with generally accepted accounting principles), and (ii) with respect to the Counterparty, U S \$10,000,000 (or the equivalent in another currency, currency unit or combination thereof) ”
- 4 The first paragraph of Part 1(i) of the Schedule shall be deleted in its entirety and replaced with the following

“(i) The **“Automatic Early Termination”** provisions of Section 6(a) will not apply to the Provider and the Counterparty, *provided, however*, with respect to the Counterparty, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto (8), and the Counterparty is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to the Counterparty

In addition to, and notwithstanding anything to the contrary in the preceding sentence if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to pay to the Non-defaulting Party on demand an amount equal to all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or re-establishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the

Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a), *provided, however*, that if the Non-defaulting Party determines that any such movements have actually resulted in a net, after tax, gain for the Non-defaulting Party, then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting Party may have under this Agreement or otherwise "

- 5 Part 1(j) of the Schedule shall be deleted in its entirety and replaced with the following:

"(j) Payments on Early Termination "Market Quotation" and "Second Method" shall apply for purposes of Section 6(e) of this Agreement "

- 6 Part 1(k)(ii) of the Schedule shall be deleted in its entirety and replaced with the following:

"(ii) Provider Credit Event. The occurrence at any time of a Provider Credit Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Provider. As used herein, "Provider Credit Event" shall mean that, with respect to the Provider, the long-term, unsecured, unenhanced and unsubordinated indebtedness of the Provider shall cease to be rated at least "Baa3" by Moody's or "BBB-" by S&P, or such indebtedness ceases to be rated by Moody's or S&P or either of such ratings is withdrawn or suspended Upon the occurrence of a Provider Credit Event, the Provider shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions "

- 7 Part 1(k)(v) of the Schedule shall be deleted in its entirety and replaced with the following "[Intentionally omitted]"

8. Part 3(a) of the Schedule shall be deleted in its entirety and replaced with the following:

"(a) Address for Notices For the purpose of Section 10(a)

Address for notice or communications to the Counterparty:

City of Austin, Texas
P O Box 2106
Austin, Texas 78768
Attention City Treasurer
Facsimile (512) 370-3838

Address for notice or communications to the Provider:

All notices to the Provider under Sections 5 or 6 (other than notices under Section 5(a)(1)) shall be sent to:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention: Legal Department – Global Markets
Facsimile: (212) 797-4566

All other notices to the Provider shall be sent directly to the Office through which Provider is acting for the relevant Transaction, using the address and contact particulars specified in the Confirmation of that Transaction or otherwise notified ”

- 9 Part 3(b) of the Schedule shall be deleted in its entirety and replaced with the following

“(b) **Calculation Agent** The Calculation Agent is the Provider, unless the Provider is a Defaulting Party in which case the Counterparty or an Agent of the Counterparty will be the Calculation Agent
- 10 The last paragraph of Part 3(c) of the Schedule shall be deleted in its entirety and replaced with the following

“Credit Support Document means in relation to the Provider the Credit Support Annex dated as of the date hereof (the provisions of which are incorporated by reference herein) ”
- 11 The last paragraph of Part 3(d) of the Schedule shall be deleted in its entirety and replaced with the following

“Credit Support Provider means in relation to the Provider None ”
- 12 If Part 3(h) of the Schedule reads “will not apply,” then Part 3(h) shall be deleted in its entirety and replaced with the following

“(h) **Netting of Payments** Subparagraph (1) of Section 2(c) will apply ”
- 13 The definition of “CSP” in Part 4(g) shall be deleted in its entirety and replaced with “[Intentionally omitted] ”
- 14 The definition of “Replacement Transaction Agreement” in Part 4(g) shall be deleted in its entirety and replaced with “[Intentionally omitted] ”
- 15 Part 4(1)(ii) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted] ”

16 Part 4(j)(iv) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted] ”

17 Part 4(k) of the Schedule shall be deleted in its entirety and replaced with

“(k) **Bankruptcy Code** It is the express intention of the Provider, the Counterparty and each Credit Support Provider of any party that (i) this Agreement and all Transactions hereunder and any Credit Support Annex that may be entered into between the Counterparty and the Provider shall collectively constitute a single agreement and shall each constitute a “swap agreement” as defined in section 101(53B) of Title 11 of the United States Code, 11 U S C §§ 101-1330 (the “Bankruptcy Code”) and (u) each of the parties constitutes a “swap participant” under section 101(53C) of the Bankruptcy Code, in each case subject to and entitled to the exemptions and protections afforded by, among other things, sections 362(b)(17), 362(o), 546(g), 548(d) and 560 of the Bankruptcy Code.”

18 Part 4(l) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted] ”

19 Part 4(m) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted] ”

20 The following new paragraph “r” shall be added at the end of Part 4

“(r) **Set-off.** (1) Section 6 of this Agreement is amended by the addition of the following Section 6(f)

“(f) Upon the designation of any Early Termination Date, the party that is not the Defaulting Party or Affected Party (“X”) may, without prior notice to the Defaulting or Affected Party (“Y”), set off any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by Y to X or any Affiliate of X (the “X Set Off Amount”) against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by X or any Affiliate of X to Y (the “Y Set Off Amount”) X will give notice to the other party of any set off effected under this Section 6(f)

For this purpose either the X Set Off Amount or the Y Set Off Amount (or the relevant portion of such set off amounts) may be converted by X into the currency in which the other set off amount is denominated at the rate of exchange at which X would be able, acting in a reasonable manner and in good faith to purchase the relevant amount of such currency

If a sum or obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other rights to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise)

For purposes of this Section 6(f), the obligations subject to set-off with respect to the Counterparty shall be limited to obligations payable (in whole or in part) solely from or which, when paid by the Counterparty, will be included in, Pledged Revenues "

- 21 Part 5 of the Schedule shall be deleted in its entirety and replaced with "[Intentionally omitted] "
- 22 Subject to the foregoing, all references in the Schedule to "Morgan Keegan Financial Products, Inc " shall be deleted and replaced with "Deutsche Bank AG, New York Branch "
- 23 All references to "and the CSP" and "or the CSP" shall be deleted

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)



International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the
ISDA Master Agreement
(Local Currency – Single Jurisdiction)
deemed entered into and binding pursuant to that certain
Replacement Transaction Agreement by and between

**DEUTSCHE BANK AG,
NEW YORK BRANCH**
("Party A")

and

CITY OF AUSTIN, TEXAS
("Party B")

dated as of August 11, 2008

This Annex supplements, forms part of, and is subject to the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party

Accordingly the parties agree as follows —

Paragraph 1. Interpretation

(a) *Definitions and Inconsistency* Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail

(b) *Secured Party and Pledgor* All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties

Paragraph 2 Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party

Paragraph 3 Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount

"**Credit Support Amount**" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold, provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4 Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day, if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) **Substitutions**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"), and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"), *provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support*

Paragraph 5 Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute,

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation and taking the arithmetic average of those obtained, *provided that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction), and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction) and*

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer

Paragraph 6 Holding and Using Posted Collateral

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) **Eligibility to Hold Posted Collateral, Custodians.**

(i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of or otherwise use in its business any Posted Collateral it holds free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor, and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) **Distributions and Interest Amount**

(i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7 Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party,
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party, or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8 Certain Rights and Remedies

(a) **Secured Party's Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party,
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any,
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral), and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) **Pledgor's Rights and Remedies.** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement)

(i) the Pledgor may exercise all rights and remedies available to a Pledgor under applicable law with respect to Posted Collateral held by the Secured Party

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any,

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor, and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral), and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor

(c) **Deficiencies and Excess Proceeds** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation. Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations, the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation. Set-off and/or application under Paragraphs 8(a) and 8(b)

(d) **Final Returns** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement) the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any

Paragraph 9 Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien,

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2,

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest), and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2

Paragraph 10. Expenses

- (a) **General** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith
- (b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c)
- (c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties

Paragraph 11 Miscellaneous

- (a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obliged to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred from (and including) the date that the Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed
- (b) **Further Assurances** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount
- (c) **Further Protection** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c)
- (d) **Good Faith and Commercially Reasonable Manner** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner
- (e) **Demands and Notices** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13
- (f) **Specifications of Certain Matters** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly

Paragraph 12 Definitions

As used in this Annex —

“**Cash**” means the lawful currency of the United States of America.

“**Credit Support Amount**” has the meaning specified in Paragraph 3

“**Custodian**” has the meaning specified in Paragraphs 6(b)(i) and 13

“**Delivery Amount**” has the meaning specified in Paragraph 3(a)

“**Disputing Party**” has the meaning specified in Paragraph 5

“**Distributions**” means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein

“**Eligible Collateral**” means with respect to a party the items if any, specified as such for that party in Paragraph 13

“**Eligible Credit Support**” means Eligible Collateral and Other Eligible Support

“**Exposure**” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time, *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”)

“**Independent Amount**” means, with respect to a party, the amount specified as such for that party in Paragraph 13, if no amount is specified zero

“**Interest Amount**” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows

(x) the amount of Cash on that day, multiplied by

(y) the Interest Rate in effect for that day, divided by

(z) 360

“**Interest Period**” means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred

“**Interest Rate**” means the rate specified in Paragraph 13

“**Local Business Day**”, unless otherwise specified in Paragraph 13 has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex

“Minimum Transfer Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13, if no amount is specified, zero

“Notification Time” has the meaning specified in Paragraph 13

“Obligations” means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13

“Other Eligible Support” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13

“Other Posted Support” means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party

“Pledgor” means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a)

“Posted Collateral” means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash

“Posted Credit Support” means Posted Collateral and Other Posted Support

“Recalculation Date” means the Valuation Date that gives rise to the dispute under Paragraph 5, *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3

“Resolution Time” has the meaning specified in Paragraph 13

“Return Amount” has the meaning specified in Paragraph 3(b)

“Secured Party” means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support

“Specified Condition” means with respect to a party, any event specified as such for that party in Paragraph 13

“Substitute Credit Support” has the meaning specified in Paragraph 4(d)(i)

“Substitution Date” has the meaning specified in Paragraph 4(d)(ii)

“Threshold” means, with respect to a party, the amount specified as such for that party in Paragraph 13, if no amount is specified, zero

“Transfer” means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient,

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient, and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13

"Valuation Agent" has the meaning specified in Paragraph 13

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13

"Valuation Percentage" means for any item of Eligible Collateral, the percentage specified in Paragraph 13

"Valuation Time" has the meaning specified in Paragraph 13

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to

- (i) Eligible Collateral or Posted Collateral that is
 - (A) Cash, the amount thereof, and
 - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any,
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero, and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13

CREDIT SUPPORT ANNEX

dated as of August [], 2008

between

**Deutsche Bank AG,
New York Branch**

and

City of Austin, Texas

(“Party A”)

(“Party B”)

to the Schedule to the
ISDA Master Agreement
(Local Currency – Single Jurisdiction)
deemed entered into and binding pursuant to that certain
Replacement Transaction Agreement by and between
Deutsche Bank AG, New York Branch
City of Austin, Texas and
Morgan Keegan Financial Products, Inc.
dated as of August [], 2006

[ISDA PRE-PRINTED FORM TO BE INSERTED]

Paragraph 13. Elections and Variables

- (a) ***Security Interest for “Obligations”*** The term “Obligations” as used in this Annex includes no additional obligations with respect to Party A and Party B
- (b) ***Credit Support Obligations***
- (1) Delivery Amount, Return Amount and Credit Support Amount
- (A) “*Delivery Amount*” will have the meaning specified in Paragraph 3(a)
- (B) “*Return Amount*” will have the meaning specified in Paragraph 3(b)
- (C) “*Credit Support Amount*” will have the meaning specified in Paragraph 3
- (11) Eligible Collateral The following items will qualify as “Eligible Collateral”

Collateral Type

Valuation Percentage

- (A) Cash, in the form of U S Dollars 100%
- (B) negotiable debt obligations issued by the U S. Treasury Department having remaining maturities of not more than one year ("Treasury Bills") 99%
- (C) negotiable debt obligations issued by the U S Treasury Department having remaining maturities of more than one year but not more than ten years ("Treasury Notes") 98%
- (D) *negotiable debt obligations issued by the U S Treasury Department having remaining maturities of more than ten years ("Treasury Bonds")* 96%
- (E) negotiable debt obligations issued by the Federal National Mortgage Association, the Government National Mortgage Corporation the Federal Home Loan Mortgage Corporation, provided, however, that such securities may not be (a) multi-class or multi-branch securities or (b) paying interest or principal only ("Agency Securities") 96%
- (iii) Other Eligible Support. There shall be no "Other Eligible Support" for purposes of this Annex
- (iv) Thresholds
- (A) "*Independent Amount*" shall mean (i) with respect to Party A, none and (ii) with respect to Party B, none
- (B) "*Threshold*" means, (i) with respect to Party B, not applicable, and (ii) with respect to the Party A, the amounts determined on the basis of the lowest of the ratings assigned to the long-term, unsecured, unenhanced and unsubordinated indebtedness (the "Credit Ratings") of the Pledgor set forth in the following table, *provided, however*, that if (i) the Pledgor has no Credit Rating from any two rating agencies, or (ii) an Event of Default has occurred and is continuing with respect to the Pledgor, then the Threshold shall be U S \$0

CREDIT RATING (S&P / Moody's)	THRESHOLD (Pledgor)
A-/A3 or above	Infinite
BBB+/Baa1	\$10,000,000
BBB/Baa2	\$5,000,000
BBB-/Baa3 or below or not rated	Zero

- (C) ***“Minimum Transfer Amount”*** means means, with respect to Party A, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the long term, unsecured and unsubordinated debt of Party A and, means with respect to Party B, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the Bonds; provided, however, that if an Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount for such party shall be \$0

<u>S&P</u>	<u>Moody’s</u>	<u>Minimum Transfer Amount</u>
BBB+and above	Baa1 and above	\$1,000,000
BBB or below	Baa2 or below	\$100,000

- (D) ***Rounding*** With respect to Transfers to be made by the Pledgor, the Delivery Amount will be rounded up to the nearest integral multiple of U S \$10,000 With respect to Transfers to be made by the Secured Party, the Return Amount will be rounded down to the nearest integral multiple of U S \$10,000

(c) ***Valuation and Timing***

- (i) ***“Valuation Agent”*** means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3, for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable, and for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value in connection with substitutions
- (ii) ***“Valuation Date”*** means any Local Business Day designated by the parties.
- (iii) ***“Valuation Time”*** means the close of business on the Local Business Day preceding the Valuation Date or date of calculation, as applicable
- (iv) ***“Notification Time”*** means by 1 00 p m , New York time, on a Local Business Day
- (d) ***Conditions Precedent*** With respect to Party A an Illegality and any Additional Termination Event (if Party A is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition” With respect to Party B, an Illegality and any Additional Termination Event (if Party B is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition”

(e) ***Substitution.***

- (i) “***Substitution Date***” has the meaning specified in Paragraph 4(d)(ii)
- (ii) Consent Inapplicable

(f) ***Dispute Resolution.***

- (i) “***Resolution Time***” means 1 00 p m , New York time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 5.
- (ii) Value For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support other than Cash will be calculated as follows With respect to any Eligible Collateral except Cash, the sum of (I) (x) the mean of the high bid and low asked prices quoted on such date by any principal market maker for such Eligible Collateral chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker for such date, the mean of such high bid and low asked prices as of the first day prior to such date on which such quotations were available, and (II) the accrued interest on such Eligible Collateral (except to the extent Transferred to a party pursuant to any applicable provision of this Annex or included in the applicable price referred to in (I)) as of such date, multiplied by the applicable Valuation Percentage
- (iii) The provisions of Paragraph 5 will apply

(g) ***Holding and Using Posted Collateral***

- (i) Eligibility to Hold Posted Collateral, Custodians The Secured Party will be entitled to hold Posted Collateral (i) itself pursuant to Paragraph 6(b), *provided* that it is not a Defaulting Party or (ii) through a Custodian pursuant to Paragraph 6(b), *provided* that the Custodian is a Bank (as defined in the Federal Deposit Insurance Act) whose rating with respect to its long term unsecured, unsubordinated indebtedness is at least “A” by S&P or “A2” by Moody’s
- (ii) Use of Posted Collateral The provisions of Paragraph 6(c) will apply

(h) ***Distributions and Interest Amount***

- (i) Interest Rate The Interest Rate for any day means the Federal Funds Overnight Rate For the purposes hereof, “Federal Funds Overnight Rate” means, for any day, an interest rate per annum equal to the rate published as the Federal Funds Effective Rate that appears on Telerate Page 118 for such day
- (ii) Transfer of Interest Amount The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that

Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b)

(iii) Alternative to Interest Amounts The provisions of Paragraph 6(d)(ii) will apply

(i) *Additional Representations* None

(j) *Other Eligible Support and Other Posted Support*

(i) "Value" shall have no meaning with respect to Other Eligible Support and Other Posted Support

(ii) "Transfer" shall have no meaning with respect to Other Eligible Support and Other Posted Support

(k) *Demands and Notices*

All demands, specifications and notices made by a party to this Annex will be made pursuant to Section 12 of this Annex, unless otherwise specified here

With respect to Party A

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention Collateral Management and Valuations
Facsimile (212) 797-5922

With respect to Party B

City of Austin, Texas
P O Box 2106
Austin, Texas, 78768
Attention City Treasurer
Facsimile (512) 370-3838

(l) *Party B Not Obligated To Transfer Eligible Credit Support* Party A and Party B agree that, notwithstanding anything to the contrary in this Annex, including, without limitations, the recitals, Paragraph 1(b) or Paragraph 2 the definitions in Paragraph 12, or Table I hereof (a) the term "Secured Party" as used in this Annex means only Party B, (b) the term "Pledgor" as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9, and (d) only Party A will be required to make transfers of Eligible Credit Support under this Annex

(m) *Additional Definitions*

“Agreement” means an ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), between Party A and Party B (together with the Schedule thereto and this Annex) that Party A and Party B have agreed to be bound by and have been deemed to have entered into, having terms identical to those of the Initial Agreement (other than this Annex), but for certain modifications set forth in the Replacement Transaction Agreement

“Initial Agreement” means the ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), dated as of August [], 2008, between Party B and Morgan Keegan Financial Products, Inc , together with the Schedule thereto

“Initial Transaction” means each Transaction entered into pursuant to the Initial Agreement

“Replacement Transaction Agreement” means the Replacement Transaction Agreement, dated as of August [], 2008, by and between Morgan Keegan Financial Products, Inc , Party A and Party B

“Replacement Transactions” means Transactions (other than the option granted by Party A to Party B) entered into pursuant to the Agreement, identical in their terms to all Initial Transactions except as otherwise specified in Paragraph 2(a) of the Replacement Transaction Agreement

- (n) **Exposure** The definition of “Exposure” in Paragraph 12 of this Annex is amended to add the following sentence at the end of such definition

“Notwithstanding the foregoing, unless and until either (i) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, is exercised or (ii) the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc to Party A pursuant to Part 4(m)(1) of the Schedule to the Initial Agreement, Exposure means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(1)(2)(A) of the Agreement as if (a) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, had been exercised and Replacement Transactions had become effective thereunder, and (b) all such Replacement Transactions under the Agreement were being terminated as of the relevant Valuation Time, *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”) ”

- (o) ***Assignment of the Initial Agreement*** In the event the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc to Party A pursuant to Part 4(m)(1) of the Schedule to the Initial Agreement. Party A and Party B agree that this Annex shall constitute a Credit Support Annex to the Initial Agreement as such Initial Agreement is assigned and modified pursuant to the Replacement Transaction Agreement

Please confirm your agreement to the terms of the foregoing Paragraph 13 by signing below

DEUTSCHE BANK AG, NEW YORK BRANCH

By _____
Name
Title

By _____
Name
Title

CITY OF AUSTIN, TEXAS

By _____
Name
Title

**Exhibit C
to
Ordinance**

REIMBURSEMENT AND LETTER OF CREDIT AGREEMENT

REIMBURSEMENT AGREEMENT

By and Between

CITY OF AUSTIN, TEXAS

and

DEXIA CREDIT LOCAL,
acting through its New York Branch

Relating to

§
City of Austin, Texas
Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds,
Series 2008

Dated as of August 1, 2008

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APPENDIX I — IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of August 1, 2008 (together with any amendments or supplements hereto, this "*Agreement*"), is made by and between the City of Austin, Texas (the "*City*") and Dexia Credit Local, acting through its New York Branch (the "*Bank*")

WITNESSETH:

WHEREAS, the City intends to issue \$_____ aggregate principal amount of its Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 consisting of \$_____, Subseries 2008A and \$_____, Subseries 2008B (collectively, the "*Bonds*"), pursuant to that certain Ordinance No 20080724-__ adopted on July 24 2008 ("*Ordinance*"), and the Pricing Certificate related thereto executed _____, 2008, and

WHEREAS, the City has requested the Bank to issue a letter of credit for the payment by the Paying Agent/Registrar, when and as due, of the principal of, the purchase price and interest on the Bonds, and to provide a liquidity facility in the form of a Drawing under the Letter of Credit, and

WHEREAS, the Bank is willing to issue such letter of credit and to provide such liquidity facility upon the terms and conditions provided herein,

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the City and the Bank agree as follows

ARTICLE I.

DEFINITIONS

Section 1 01 Definitions As used in this Agreement

"*Advance*" has the meaning set forth in Section 2 03(a) hereof

"*Agreement*" means this Reimbursement Agreement, as amended and supplemented

"*Alternate Liquidity Facility*" has the meaning set forth in Appendix A to the Ordinance

"*Amortization Commencement Date*" means, with respect to each Bank Certificate, the earlier to occur of (a) 180 days from the related Purchase Date and (b) the Termination Date, *provided, however*, that an Amortization Commencement Date shall occur only if (x) no Default or Event of Default shall have occurred and be continuing on any Amortization Commencement Date and (y) all representations of warranties contained in Article IV hereof are true and correct on any Amortization Commencement Date

"*Amortization End Date*" means the earliest to occur of (a) the fifth (5th) anniversary of the date the related Advance was made, (b) the Conversion Date and (c) the Substitution Date

"Amortization Payment Date" means (a) the first Business Day of the sixth calendar month immediately succeeding the Amortization Commencement Date and the first Business Day of each sixth calendar month occurring thereafter prior to the Amortization End Date and (b) the Amortization End Date

"Available Amount" has the meaning set forth in the Letter of Credit.

"Bank" has the meaning set forth in the introductory paragraph hereof.

"Bank Bonds" means the Liquidity Provider Bonds as defined in the Ordinance

"Bank Rate" means the rate of interest per annum with respect to an Advance (a) for any day commencing on the date such Advance is made up to and including the sixtieth (60th) day next succeeding the date such Advance was made equal to the greater of (i) the Base Rate from time to time in effect or (ii) the Maximum Bond Interest Rate. (b) for any day commencing on the sixty-first (61st) day next succeeding the date such Advance is made up to and including the ninetieth (90th) day next succeeding the date such Advance was made equal to the sum of the Base Rate from time to time in effect plus one percent (1.00%), and (c) for any day commencing on the ninety-first (91st) day next succeeding the date such Advance is made and thereafter equal to the sum of the Base Rate from time to time in effect plus two percent (2.00%), *provided, however* that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, "Bank Rate" shall mean the Default Rate. Notwithstanding the foregoing, in no instance shall the Bank Rate ever be less than the interest rate borne by the Bonds that are not Bank Bonds

"Base Rate" means, for any day, a rate of interest per annum equal to the greater of (a) the Prime Rate in effect at such time or (b) the Federal Funds Rate in effect at such time plus 1.0%.

"Bond Counsel" means Fulbright & Jaworski L L P (or any other nationally recognized bond counsel selected by the City)

"Bond Purchase Agreement" has the meaning set forth in the Ordinance

"Bonds" has the meaning set forth in the recitals hereof

"Business Day" has the meaning set forth in the Ordinance

"Cap Interest Rate" has the meaning set forth in the Letter of Credit

"City" has the meaning set forth in the recitals hereof

"Closing Date" means the date on which the Letter of Credit is issued

"Code" means the Internal Revenue Code of 1986, as amended

"Conversion Date" means the date on which the interest rate or all of the Bonds has been converted to bear interest at a rate other than a Covered Mode

"Covered Mode" means the Weekly Mode

"Debt" of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (f) all Guarantees by such Person of Debt of other Persons

"Default" means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default

"Default Rate" means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect plus three percent (3.00%).

"Drawing" means and includes an Interest Drawing, a Liquidity Drawing, a Redemption Drawing and a Stated Maturity Drawing

"Event of Default" has the meaning set forth in Section 6.01 hereof

"Facility Fee" means the fee payable to the Bank pursuant to Section 2.05(a) hereof

"Favorable Opinion of Bond Counsel" has the meaning set forth in the Ordinance

"Federal Funds Rate" means, as of any date of calculation thereof, a rate of interest per annum equal to the interest rate (rounded upwards, if necessary, to the nearest 1/16 of 1%) offered in the interbank market to the Bank as the overnight Federal Funds Rate at or about 10:00 a.m. (New York time) on such date (or if such date is not a Business Day, the next preceding Business Day)

"Fitch" means Fitch Ratings, Inc. or any successor thereto

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, applied by the City on a basis consistent with the City's most recent financial statements furnished to the Bank pursuant to Section 4.12 hereof

"Governmental Authority" means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve District, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law

"Gross Available Amount" means, as of any date, the Available Amount without taking into account any temporary reductions thereto in effect on such date

"Interest Drawing" means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit C to the Letter of Credit

"Letter of Credit" means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the City in favor of the Paying Agent/Registrar supporting the Bonds, in the form of Appendix I hereto with appropriate insertions, as amended.

"Liquidity Drawing" means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit E to the Letter of Credit.

"Ordinance" has the meaning set forth in the recitals hereof

"Material Adverse Effect" means a material adverse effect on the ability of the City to perform any of its obligations under this Agreement

"Maximum Bond Interest Rate" means higher of (i) 12% or (ii) the highest rate permitted on the Bonds pursuant to the Ordinance

"Maximum Lawful Rate" means the maximum "net effective interest rate" allowed under Texas law, currently codified as Chapter 1204, Texas Government Code, as amended

"Maximum Rate" means, with respect to each Bank Bond and any other Obligation due and payable hereunder, the lesser of (i) the maximum non-usurious interest rate permitted by applicable law, and (ii) 25% per annum

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns

"Obligations" means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by Bank Bonds), the Facility Fees and other obligations of the City to the Bank arising under or in relation to this Agreement

"Official Statement" means the Official Statement dated August 7, 2008, relating to the Bonds

"Ordinance" has the meaning set forth in the recitals hereof

"Original Stated Amount" has the meaning set forth in Section 2.01 hereof

"Parity Bonds" has the meaning set forth in the Ordinance

"Parity Obligations" has the meaning set forth in the Ordinance

"Paying Agent/Registrar" has the meaning set forth in the Ordinance

"Payment Account" means the following account, or such account as may be designated by the Bank in writing to the City and the Paying Agent/Registrar Citibank, N A , Account No 36240356, ABA No 021000089, in favor of Dexia Credit Local, New York Branch, Reference F-0743B City of Austin, Texas Hotel Occupancy Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof

"Pledged Revenues" has the meaning given such term in the Ordinance

"Prime Rate" means, for any day, the per annum rate of interest for such day announced by the New York Branch of the Bank from time to time as its base rate for commercial lending or prime rate (it being understood that such base rate for commercial lending or prime rate may not be the best or lowest rate offered by the New York Branch of the Bank) Each change in the Prime Rate shall take effect at the time of such change in the base rate for commercial lending or prime rate as the case may be

"Program Documents" means this Agreement, the Letter of Credit, the Remarketing Agreement the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Bonds, the Ordinance, the Series 2008 Interest Management Agreement and any documents related thereto.

"Rating Agencies" means Moody's, Fitch and S&P

"Redemption Drawing" means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit D to the Letter of Credit

"Reimbursement Obligations" means any and all obligations of the City to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Advance, including in each instance all interest accrued thereon which obligations are evidenced and secured by the Bank Bonds

"Remarketing Agents" means together, Bank of America Securities LLC and Morgan Keegan & Company, Inc (each a "Remarketing Agent") and their successors and assigns or any alternate remarketing agent(s) appointed for the Bonds

"Remarketing Agreement" means the Remarketing Agreements each dated as of August 1, 2008, between the City and the respective Remarketing Agent, as amended or supplemented from time to time in accordance with the terms hereof and thereof

"Series 2008 Interest Rate Management Agreement" has the meaning set forth in the Ordinance

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc , or any successor thereto

"State" means the State of Texas

"Stated Expiration Date" has the meaning set forth in the Letter of Credit.

"Stated Maturity Drawing" means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit F to the Letter of Credit

"Substitution Date" has the meaning set forth in Section 2.03(c) hereof

"Tender Agent" has the meaning set forth in the Ordinance

"Termination Date" has the meaning set forth in the Letter of Credit

"Term Rate Mode" has the meaning set forth in the Ordinance

"Underwriters" has the meaning set forth in the Bond Purchase Agreement

"Weekly Mode" has the meaning set forth in the Ordinance

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Ordinance, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II.

LETTER OF CREDIT

Section 2.01 Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$_____ (the "Original Stated Amount"), which is the sum of (a) the principal amount of Bonds outstanding on the Closing Date, plus (b) interest thereon at the Cap Interest Rate for a period of 35 days.

Section 2.02 Letter of Credit Drawings. The Paying Agent/Registrar is authorized to make Drawings under the Letter of Credit in accordance with its terms. The City hereby directs the Bank, to make payments under the Letter of Credit in the manner therein provided. The City hereby irrevocably approves reductions and reinstatements of the Available Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.03 Reimbursement of Certain Drawings Under the Letter of Credit, Mandatory Prepayment, Interest.

(a) If the conditions precedent contained in Section 3 02 hereof are satisfied at the time of payment by the Bank of any Liquidity Drawing, each Liquidity Drawing made under the Letter of Credit shall constitute an advance ("*Advance*") to the City. The City promises to reimburse the Bank for each Advance on the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Liquidity Facility pursuant to the terms of the Ordinance (the "*Substitution Date*"), (ii) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Ordinance, (iii) the date on which any Bonds purchased with funds disbursed under the Letter of Credit are remarketed pursuant to the Ordinance, (iv) the date which is fifteen (15) days following the Conversion Date on which all of the Bonds are converted to a rate other than a Covered Rate, and (v) if the conditions precedent set forth in Section 3 02 hereof are not satisfied on the Amortization Commencement Date, on the Amortization Commencement Date. The City's obligations to repay each Advance and to pay interest thereon as hereinafter provided shall be secured by the Bank Bonds Subject to Section 2 10 and 2 16 hereof, the City also promises to repay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect and shall be payable monthly in arrears on the first day of each month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Advance), and on the date that the final principal installment of such Advance is payable as herein provided. Unless otherwise paid in full on one of the dates provided above, and subject to the conditions that no Event of Default shall have occurred and be continuing and that the representations and warranties contained in Article IV of the Agreement be true and correct in all material respects, in each case, on the related Amortization Commencement Date, the principal of each Advance shall be payable by the City in semiannual installments ("*Semiannual Principal Payments* ") on each Amortization Payment Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance due and payable on the Amortization End Date (the period commencing on the Amortization Commencement Date and ending on the Amortization End Date is herein referred to as the "*Amortization Period*") Each Semiannual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semiannual Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day's prior written notice.

(c) Upon the Bank's receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) Upon the Bank's honoring any Liquidity Drawing, the Bank shall be deemed to have purchased the Bank Bonds in respect of which such Drawing is made.

and the City shall cause the Paying Agent/Registrar to hold such Bank Bonds for the benefit of the Bank and register such Bank Bonds in the name of the Bank or its nominee, or to otherwise deliver such Bank Bonds as directed by the Bank pursuant to the Ordinance. During such time as the Bank is the owner of any Bonds, the Bank shall have all the rights granted to a Bondholder under the Ordinance and such additional rights as may be granted to the Bank hereunder. To the extent that the Bank actually receives payment in respect to principal of or interest on the Bank Bond held by the Bank, the Advance made in connection with the purchase of such Bank Bond shall be deemed to have been reduced *pro tanto*, with the Bank crediting any payment on such Bank Bond received, first to the payment of any outstanding interest accrued on the related Advance, and second to the payment of the principal of such Advance. Any such payment or prepayment to be applied to principal of Advances hereunder shall be applied to the prepayment of related Advances in chronological order of their issuance hereunder, and within each Advance in inverse order of the principal installments payable thereon. Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall in its sole discretion determine.

Section 2 04 Reimbursement of Redemption Drawings, Interest Drawings, Stated Maturity Drawings and Certain Liquidity Drawings. The City agrees to reimburse the Bank for the full amount of any Liquidity Drawing (but only if the conditions precedent contained in Section 3 02 hereof are not satisfied on the date of payment by the Bank of such Liquidity Drawing) and all Interest Drawings, Redemption Drawings and Stated Maturity Drawings immediately upon payment by the Bank of each such Drawing and on the date of each such payment. Subject to the provisions of Section 2 16, if the City does not make such reimbursement on such date, such reimbursement obligation shall bear interest at the Default Rate.

Section 2 05 Fees

(a) *Facility Fees.* The City hereby agrees to pay to the Bank quarterly in arrears on the first Business Day of each October, January, April and July commencing on October 1, 2008, and on the Termination Date, a non-refundable facility fee in an amount equal to the rate per annum associated with the Rating, as specified below (the "Facility Fee Rate") on the Available Amount of the Letter of Credit (without regard to any temporary reductions of the Stated Amount of the Letter of Credit) (the "Facility Fees") during each related period.

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	FACILITY FEE RATE
Level 1	A3	A-	A-	70%
Level 2	Below A3	Below A-	Below A-	85%
Level 3	Below Baal	Below BBB	Below BBB	1 10%
Level 4	Below Baa2	Below BBB	Below BBB	1 35%

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	FACILITY FEE RATE
Level 5	Below Baa3	Below BBB-	Below BBB-	3.10%

The term "*Rating*" as used above shall mean the lowest long-term unenhanced debt ratings assigned by each of Moody's, Fitch and S&P to any bonded indebtedness of the City secured by the same lien on and pledge of the Pledged Revenues as the lien on and pledge of the Pledged Revenues securing the Bonds. In the event of a split Rating by the Rating Agencies, the lowest Rating assigned by any Rating Agency shall be used to determine the Facility Fee Rate. Any change in the Facility Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, each of the Ratings from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The City acknowledges that as of the Closing Date the Facility Fee Rate is that specified above for Level 1. In the event the Rating assigned by any of Moody's, Fitch or S&P is withdrawn, suspended or otherwise unavailable, the Facility Fee Rate shall equal the rate specified above for Level 5. The Facility Fees shall be payable quarterly in arrears, together with interest on the Facility Fees from the date payment is due until payment in full at the Default Rate.

(b) *Drawing Fee* The City hereby agrees to pay a drawing fee of \$250 to the Bank for each Drawing under the Letter of Credit.

(c) *Amendment Fee* The City also hereby agrees to pay to the Bank on the date of any amendment to this Agreement, the Letter of Credit or any Program Document for which the consent of the Bank is required, an amendment fee of \$2,500 plus the reasonable fees of any legal counsel retained by the Bank in connection therewith.

(d) *Transfer Fee* The City also hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Paying Agent/Registrar under the Ordinance, a transfer fee of \$2,500 plus the reasonable fees of any legal counsel retained by the Bank in connection therewith.

Section 2.06 Method of Payment, Etc. All payments to be made by the City under this Agreement shall be made at the Payment Account of the Bank not later than 3:00 p.m., (New York City time), on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. Any payments received by the Bank later than 3:00 p.m. (New York time) on any day shall be deemed to have been paid on the next succeeding Business Day and interest shall accrue thereon until such next Business Day at the rate applicable thereto.

Section 2 07 Termination of Letter of Credit by the City Notwithstanding any provisions of this Agreement to the contrary, the City agrees not to terminate this Agreement or the Letter of Credit prior to August 13, 2011, except upon (i)(A) the payment by the City to the Bank of a termination fee in an amount equal to the Facility Fees payable pursuant to Section 2 05(a) hereof (based upon the Stated Amount equal to that in effect on the Closing Date) for two full calendar years at the Facility Fee Rate in effect as of the date of such termination, less the actual amount of Facility Fees the City has previously paid to the Bank pursuant to Section 2 05(a) hereof, (B) the withdrawal, suspension or reduction in the rating assigned to the Bank's senior unsecured short-term obligations by Moody's, Fitch or S&P, respectively, *provided however*, that for purposes of this clause (i)(B), the ratings of the Bank shall be the short-term ratings assigned to the Bonds by Moody's, Fitch or S&P, respectively on the date of this Agreement, or (C) the mandatory redemption of all of the Bonds or the conversion of the interest rate on all of the Bonds to a non-Covered Mode, (ii) the payment to the Bank of all Obligations payable hereunder and (iii) City providing the Bank with thirty (30) days prior written notice of its intent to terminate this Agreement and the Letter of Credit, *provided* that all payments to the Bank referred to in clause (i)(A) and (ii) above shall be made immediately available funds

Section 2 08 Computation of Interest and Fees All computations of fees and interest payable by the City under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to and including the last day thereof

Section 2 09 Payment Due on Non-Business Day To Be Made on Next Business Day If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees

Section 2 10 Late Payments If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate

Section 2 11 Source of Funds All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person

Section 2 12 Extension of Stated Expiration Date If the City, on any date not earlier than sixty days prior to each anniversary of the Closing Date and not later than ninety (90) days prior to the Stated Expiration Date submits to the Bank a written request for an extension of the Stated Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within thirty (30) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the

preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement and the Letter of Credit. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended to the date agreed to by the City and the Bank.

Section 2.13 Net of Taxes, Etc

(a) *Taxes* Any and all payments to the Bank by the City hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the City shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the City shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the City an amount equal to the amount by which such other taxes are actually reduced, *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the City with respect to such Taxes. In addition, the City agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of New York from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the City within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the City to the Bank hereunder, *provided* that the Bank's failure to send such notice shall not relieve the City of its obligation to pay such amounts hereunder.

(b) *Reimbursement* The City shall, to the extent permitted by law, reimburse the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted, *provided* that the City shall not be obligated to reimburse the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the

Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the City of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion, *provided* that the Bank's failure to notify the City promptly of such assertion shall not relieve the City of its obligation under this Section 2.13. Payments by the City pursuant to this provision shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the City any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the City pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the City pursuant to this Section 2.13 and to contest, with the cooperation and at the expense of the City, any such Taxes or Other Taxes which the Bank or the City reasonably believe not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes by the City, the City shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) *Payments.* All payments to the Bank under this Agreement and the Bank Bonds shall be made in U.S. Dollars and in immediately available and freely transferable funds at the place of payment without counterclaim, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason or any present or future taxes, levies, imposts, deductions or charges of any nature whatsoever. In the event that the City is compelled by law to make any such deduction or withholding, the City shall nevertheless pay to the Bank such amounts as will result in the receipt by the Bank of the sum they would have received had no such deduction or withholding been required to be made. If requested, the Bank shall from time to time provide the City, the Paying Agent/Registrar and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that the City is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Code.

(e) *Survival of Obligations.* The obligations of the City under this Section 2.13 shall survive the termination of this Agreement.

Section 2.14 Increased Costs

(a) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or governmental authority (in each case, whether or not having the force of law) (collectively a "*Change in Law*") or compliance by the Bank with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall

(A) change the basis of taxation of payments to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (B) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or assets held by, or deposit with or for the account of, the Bank, (C) impose on the Bank any other condition regarding this Agreement, or (D) limit the deductibility of interest on funds obtained by the Bank to pay any of its liabilities or subject the Bank to any tax, duty, charge, deduction or withholding on or with respect to payments relating to the Bonds or this Agreement, or any amount paid or to be paid by the Bank hereunder (other than any tax measured by or based upon the overall net income of the Bank imposed by any jurisdiction having control over the Bank); and the result of any event referred to in clause (A), (B), (C) or (D) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder, or to reduce the amount of any sum received or receivable by the Bank hereunder, then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section 2 14, such additional amount or amounts as will compensate the Bank for such increased costs or reductions in amount

(b) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments, including its obligations under lines of credit) that either (A) affects or would affect the amount of capital to be maintained by the Bank or (B) reduces or would reduce the rate of return on the Bank's capital to a level below that which the Bank could have achieved but for such circumstances (taking into consideration the Bank's policies with respect to capital adequacy) then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section, such additional amount or amounts as will compensate the Bank for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's capital

(c) All payments of amounts referred to in paragraphs (a) and (b) of this Section shall be due and payable thirty (30) days following the City's receipt of notice thereof. Interest on the sums due as described in paragraphs (a) and (b) of this Section, and in the preceding sentence, shall begin to accrue from the date when the payments were first due and shall otherwise be payable in accordance with Section 2 03 hereof, *provided*, that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the City and shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank

may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate

Section 2 15 Margin Regulations. No portion of the proceeds of any Drawings under the Letter of Credit shall be used by the City (or the Paying Agent/Registrar or any other Person on behalf of the City) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of the City or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Advances and such use of proceeds

Section 2 16 Maximum Rate, Payment of Fee. If the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period, and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Rate and (ii) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the City shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the date all Reimbursement Obligations are payable hereunder following the termination of the Letter of Credit, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest (the "*Excess Interest Fee*"), *provided however*, if in the opinion of a nationally recognized bond counsel firm or bank counsel firm the Excess Interest Fee is deemed "interest," the payment of such Excess Interest Fee shall be limited so that after giving effect to such payment the net effective interest rate on the Bonds will not exceed the Maximum Lawful Rate when calculating such net effective interest rate from the date of the original issuance of the Bonds to the date no principal amount hereunder remains unpaid and no Bank Bonds are outstanding

ARTICLE III.

CONDITIONS PRECEDENT

Section 3 01 Conditions Precedent to Issuance of the Letter of Credit As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the City shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Andrews Kurth LLP (hereinafter, "*Bank's Counsel*")

(a) *Approvals* The Bank shall have received a counterpart of this Agreement duly executed by the City and the Bank and copies of all action taken by the City approving the execution and delivery by the City of this Agreement, in each case

certified by an authorized official of the City as complete and correct as of the date hereof

(b) *Incumbency of City Officials* The Bank shall have received an incumbency certificate of the City in respect of each of the officials who is authorized to (i) execute this Agreement on behalf of the City, and (ii) take actions for the City under this Agreement and the other Program Documents with respect to this Agreement and the Bonds

(c) *Opinion of Bond Counsel* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date to the effect that (i) this Agreement has been, duly authorized, executed and delivered by the City and is the valid and binding obligation of the City enforceable in accordance with its terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the City and equitable principles relating to or affecting creditors' rights generally from time to time, (ii) the execution and delivery by the City of this Agreement does not violate the constitution or laws of the State; and (iii) the City has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the City of this Agreement In addition, the Bank shall have received a letter from Bond Counsel authorizing the Bank to rely on the Favorable Opinion of Bond Counsel delivered to the City on the Closing Date

(d) *Paying Agent/Registrar, Tender Agent, Remarketing Agents.* The Bank shall have received copies of the Paying Agent/Registrar Agreement, Tender Agent Agreement, and Remarketing Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect

(e) *Ordinance* The Bank shall have received a certified copy of the Ordinance, including any amendments or supplements thereto, if any, which have been adopted as of the Closing Date, authorizing the issuance of the Bonds, and approving and authorizing this Agreement in form and substance satisfactory to the Bank, all certified by the Secretary of the City as being in full force and effect

(f) *No Default, Etc* (i) No Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the City of this Agreement (ii) the representations and warranties and covenants made by the City in Articles IV and V hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date, and (iii) the Bank shall have received a certificate, given and made as of the Closing Date, from the City to the foregoing effect

(g) *Financial Information* The Bank shall have received copies of (i) the City's audited financial statements with respect to the City for the fiscal years ended September 30, 2005, September 30, 2006 and September 30 2007

(h) *Legality, Material Adverse Change.* (i) Neither the making of any Drawings or Advances nor the consummation of any of the transactions contemplated by the Ordinance, the Bonds or this Agreement (with respect to this Agreement and the Bonds) will violate any law, rule, guideline or regulation applicable to the City, the Bank or this Agreement, and (ii) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the City shall have occurred since September 30, 2007, except as disclosed in writing to the Bank prior to August 14, 2008, which would be reasonably likely to result in a Material Adverse Effect

(i) *Fees, Etc* The Bank shall have received payment of the fees, costs and expenses referred to in Section 2.05 and Section 7.03 hereof

(j) *Attorney General Opinion* The favorable opinion of the Attorney General of the State of Texas as to the validity of the Bonds

(k) *Other Opinions* all other opinions, each addressed to the Bank (unless given by counsel to the Underwriters), required to be delivered under the Bond Purchase Agreement to the Underwriters

(l) *Other Documents* The Bank shall have received such other documents, certificates and opinions as the Bank or the Bank's Counsel shall have reasonably requested

Section 3.02 Conditions Precedent to Advances Following any payment by the Bank under the Letter of Credit pursuant to a Liquidity Drawing, an Advance shall be made available to the City only if on the date of payment of such Liquidity Drawing by the Bank (a) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects as of such date, and (b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default

Unless the City shall have previously advised the Bank in writing that the above statement is no longer true, the City shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, the City represents and warrants to the Bank as follows

Section 4.01 Status of the City The City is a "Home Rule City," acting as such under the Constitution and laws of the State, and has full legal right, power and authority to (i) levy and collect the hotel occupancy taxes, (ii) adopt the Ordinance, (iii) execute and deliver this Agreement and the Program Documents (iv) issue and deliver the Bonds, (v) pledge the Pledged Revenues, and (vi) perform fully and completely all its obligations and liabilities under the Ordinance, this Agreement and under the Program Documents

Section 4 02 Regulatory and Authority The City is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the City has obtained or will obtain prior to the date of delivery of the Bonds all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Bonds, the Program Documents and this Agreement.

Section 4 03 Default No Event of Default or Default has occurred and is continuing

Section 4 04 Official Statement The Official Statement prepared with respect to the Bonds and the transactions herein contemplated, a true copy of which has heretofore been delivered to the Bank, does not contain, and such Official Statement (including any amendments or supplements prepared subsequent to its date, a true copy of which shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Official Statement does not omit, and will not omit, to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein

Section 4 05 Bonds Each Bond has been or will be duly issued under the Ordinance and each such Bond is and shall be entitled to the benefits thereof

Section 4 06 Bank Bonds. The Bank Bonds purchased pursuant hereto will be transferred to the Bank free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank and shall be secured as, and payable as set forth in the Ordinance

Section 4 07 Incorporation of Representations and Warranties The City hereby makes to the Bank the same representations and warranties as are being made by the City in the Ordinance and each of the Program Documents to which the City is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety No amendment to such representations and warranties or definitions made pursuant to the Ordinance or the Program Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank

Section 4 08 No Proposed Legal Changes There is no amendment, or to the knowledge of the City proposed amendment certified for placement on a statewide ballot to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any law of the State, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the issuance of any of the Bonds, the security for any of the Bonds, or the City's ability to repay when due any obligations under this Agreement, any of the Bonds, the Bank Bonds, the Obligations, the Ordinance and the other Program Documents

Section 4 09 Survival of Representations and Warranties All statements contained in any certificate or other instrument delivered by or on behalf of the City pursuant to or in connection with this Agreement (including, but not limited to, any such statements made in or in connection with any amendment hereto) shall constitute representations and warranties made under this Agreement

Section 4 10 Permitted Investments. The City has neither made any investment nor entered into any agreements for the purpose of effecting any investment of amounts maintained under the Ordinance which are not permitted pursuant to the Ordinance

Section 4 11 Environmental The City has not received any notice to the effect that the City's operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations or the subject of any federal or state investigation evaluation whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the operation or condition, financial or otherwise, of the City

Section 4 12 Noncontravention The adoption, execution and delivery by the City of this Agreement and the Program Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, ordinance, mortgage, deed of trust lease or other agreement or instrument to which the City is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body

Section 4 13 Due Authorization The adoption, execution, delivery and performance by the City of this Agreement and the Program Documents to which it is a party is within its corporate power and authority, and has been duly authorized by all necessary action and will not contravene any provision of the Ordinance

Section 4 14 Valid and Binding Obligations This Agreement and the Program Documents to which the City is a party are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by the City's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally The Bonds, when issued and delivered against payment therefor as contemplated by the Bond Purchase Agreement, will have been duly issued, executed and delivered in conformity with the Ordinance and will constitute legal, valid and binding obligations of the City, enforceable in accordance with their terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and entitled to the benefit and security of the Ordinance

Section 4 15 Pending Litigation and Other Proceedings There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the City and, to the City's knowledge, there is no threatened action or proceeding affecting the City or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the (a) financial condition or operations of the City, (b) the validity or enforceability of this Agreement or any of the Program Documents, the ability of the City to perform its obligations hereunder or under the Program Documents, (c) the status of the City as a governmental agency and political subdivision of the State, (d) the status of the exemption of interest on the Bonds from federal income tax or (e) the City's property, assets, operations or conditions financial or otherwise

Section 4 16 Insurance The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, Texas home-rule cities of like type, size and character to the City

Section 4 17 Financial Statements The balance sheets of the City as of September 30, 2007 and the related statement of revenues and expenses and changes in financial position for the years then ended and the auditors' reports with respect thereto and the balance sheets of the City as of September 30, 2007 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the City at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles as applied to Texas home-rule cities Since September 30, 2007, there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the City nor any increase in its long term debt which has not been otherwise disclosed to the Bank

Section 4 18 Complete and Correct Information No representation, warranty or other statement made by the City in or pursuant to this Agreement or any Program Document or any other document or financial statement provided by the City or its agents to the Bank in connection with this Agreement or any other Program Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. All information, reports and other papers and data with respect to the City furnished to the Bank or its counsel by the City were, taken in the aggregate (including all updated information provided) and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter No fact is known to the City which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the City or its prospects which has not been set forth in the financial statements referred to in Section 4 17 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the City When taken in the aggregate, no document furnished or statement made by the City in connection with the negotiation, preparation or execution of this Agreement or any Program Document contains any untrue statement of a fact material to its creditworthiness of the City or omits to state a material fact necessary in order to make the statements contained therein not misleading With regard to

any information provided to the Bank which is subsequently updated prior to the Closing Date, this representation shall not apply to the information that has been updated to the extent updated

Section 4 19 Pending Legislation and Decisions To the knowledge of the City, there are no proposed amendments to the Constitution of the State or any State law or any administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the legislature of the State, or any judicial decision interpreting any of the foregoing, the effect of which will materially adversely affect the issuance of any of the Bonds, the security for any of the Bonds or the City's obligations hereunder or under any of the Program Documents, or the City's ability to repay when due its obligations under this Agreement, any of the Bonds, and the Program Documents

Section 4 20 Default No Event of Default or Default has occurred and is continuing

Section 4 21 Security Pursuant to the Ordinance, the City has pledged the Pledged Revenues to the payment and security of the Bonds (including the Bank Bonds) and the obligation of the City to make payments under this Agreement The payment Obligations of the City under this Agreement are Parity Obligations The Ordinance validly grants the pledge which they purport to create to secure the Bonds (including the Bank Bonds) and the City's Obligations hereunder as and to the extent provided herein and in the Ordinance and the Ordinance and is a perfected lien

Section 4 22 Reserved

Section 4 23 Usury. The terms of the Agreement and the Program Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws

Section 4 24 Federal Reserve Board Regulations The City does not intend to use any part of the proceeds of the Bonds or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the City out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the City does not own and has no intention of acquiring any such Margin Stock

Section 4 25 Investment Company Act The City is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940 as amended

ARTICLE V.

COVENANTS

The City will do the following so long as any amounts may be drawn under the Letter of Credit or any Obligations remain outstanding under this Agreement, unless the Bank shall otherwise consent in writing

Section 5 01 Payment Obligations The City shall promptly pay or cause to be paid all amounts payable hereunder and under the Program Documents according to the terms hereof or

thereof and shall duly perform its obligations under this Agreement, the Ordinance and the Program Documents to which the City is a party. All payments of principal and interest on Bank Bonds and any other Obligations due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the City

Section 5 02 Ordinance and the Program Documents The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by the City in the Ordinance and each of the Program Documents to which the City is a party and in each case such provisions, together with the related definitions of terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety

Section 5 03 Compliance With Law The City shall comply with all laws, ordinances, orders, rules and regulations that may be applicable to it if the failure to comply could have a material adverse effect on the security for any of the Bonds, or the City's ability to repay when due any obligations under this Agreement or any other obligations under any of the Bonds, the Ordinance and the other Program Documents

Section 5 04 Notices The City will promptly furnish, or cause to be furnished, to the Bank (i) notice of the failure by the Remarketing Agents, the Paying Agent/Registrar or the Tender Agent to perform any of their respective obligations under the Remarketing Agreement, the Ordinance or this Agreement, (ii) notice of any proposed substitution of this Agreement, (iii) each notice required to be given to the Bank and the holders of the Bonds pursuant to the Ordinance and (iv) such further financial and other information with respect to the City and its affairs as the Bank may reasonably request from time to time

The City shall also provide, or cause to be provided, to the Bank prompt written notice of (i) any change in the ratings of the Bonds of which the City has actual knowledge, (ii) any ratings which may be assigned to any uninsured Debt of the City (or any changes in such ratings), and (iii) any "shadow rating" (or changes therein) assigned to the Bonds of which the City has actual knowledge

Section 5 05 Certain Information The City shall not include in an offering document for the Bonds any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein

Section 5 06 Alternate Support for Bonds The City agrees to use reasonable efforts to obtain an Alternate Liquidity Facility to replace this Agreement or to convert the Bonds to a Mode (as defined in the Ordinance) that does not require a Liquidity Facility (as defined in the Ordinance) in the event the Bank shall decide not to extend the Stated Expiration Date pursuant to Section 2 12 hereby In addition, the parties hereto acknowledge and agree that the City may terminate this Agreement and the Letter of Credit and obtain an Alternate Liquidity Facility satisfying the requirements of the Ordinance upon any downgrading of the Bank to a level below the top two highest short-term ratings by either S&P, Fitch or Moody's

The City agrees that, as a condition to the effectiveness of the Alternate Liquidity Facility, the City, whether from its own funds or an Alternate Liquidity Facility shall provide funds to the extent necessary, in addition to other funds available, on the Alternate Liquidity Facility Effective Date, to make the payments in full to the Bank of any and all obligations due hereunder and all principal and interest due on the Bank Bonds

The City shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank

Section 5 07 Maintenance of Approvals, Filings Etc The City shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement, the Ordinance and the Program Documents to which the City is a party

Section 5 08 Further Assurances To the extent the provisions of Chapter 1208, Texas Government Code are held by a court of competent jurisdiction to not apply to this Agreement, the City shall, upon the request of the Bank, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement, the Ordinance and the Program Documents or to protect the security for the Bonds including, without limitation, the Bank Bonds Except to the extent it is exempt there from, the City will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Ordinance and the Program Documents and such instruments of further assurance

Section 5 09 Selection of Bonds for Redemption or Purchase The City shall select, or cause to be selected, for redemption or purchase (pursuant to Part 3 4(h) of the Ordinance) any and all Bank Bonds prior to selecting, or causing to be selected, for redemption or such purchase any Bonds that are not Bank Bonds The City shall not declare, instruct the Paying Agent/Registrar to declare or permit an optional redemption of the Bonds pursuant to the Ordinance unless the City has all of the funds available for such optional redemption and such optional redemption will be funded from sources other than moneys provided by the Bank under this Agreement

Section 5 10 Use of Proceeds The City shall cause (a) the proceeds from purchases of Bonds in Covered Mode made hereunder to be used solely as described in Article II hereof and (b) the proceeds of the Bonds to be used solely for the purposes set forth in the Ordinance

Section 5 11 Reporting Requirements The City shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the City on a consolidated or combined basis in accordance with generally accepted accounting principles applicable to Texas home-rule cities consistently applied The City shall furnish to the Bank two hard copies of each of the following

(a) *Annual Financial Statements.* As soon as available, and in any event within 180 days after the close of each Fiscal Year of the City, (i) the complete audited financial statements of the City including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by an independent certified public accountant in accordance with generally accepted accounting principles, consistently applied

(b) *Certificate of Compliance* Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer or the treasurer of the City stating that (i) under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement and the Program Documents and (ii) to the best of his/her knowledge the City is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Program Documents, or if the City shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default

(c) *Other Reports.* Promptly upon request by the Bank, copies of any financial statement or report furnished to any other holder of the long term securities of the City pursuant to the terms of any long term Ordinance, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 5 12

(d) *Amendments* Promptly after the adoption thereof, copies of any amendments of or supplements to the bylaws of the City and copies of any amendments to the Program Documents

(e) *Ordinance Information* Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Ordinance The City shall provide the Bank written notice of any change in the identity of the Paying Agent/Registrar, the Tender Agent or the Remarketing Agents upon becoming aware of the same The City shall, upon request, provide or cause to be provided, to the Bank the list of the name and address of the last known holders of the Bonds

(f) *Other Information* Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the City as the Bank may from time to time reasonably request

Section 5 12 Amendments The City shall not amend, modify, supplement, supplement or terminate, nor agree to any amendment or modification of, or supplement to, termination or substitution of, any of the Program Documents or permit or suffer to occur any action or omission which results in, or is equivalent to any amendment, termination or modification of a

Program Document without the prior written consent of the Bank, which the Bank shall not unreasonably withhold or delay

Section 5 13 Notices

(a) *Notice of Default* The City shall provide to the Bank immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) *Litigation* Together with the information described in Section 5 11(b), the City shall provide to the Bank written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the City and which, if adversely determined could have a material adverse affect on the financial condition of the City or its ability to pay or perform its obligations hereunder or under any of the Program Documents

(c) *Certain Notices* Furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Paying Agent/Registrar, the Remarketing Agents or the Tender Agent to the City or by the City to the Paying Agent/Registrar, the Remarketing Agents or the Tender Agent under or in connection with any of the Program Documents, in each case promptly after the receipt or giving of the same

(d) *Other Notices* Promptly give written notice to the Bank of any material dispute which may exist between the City and any of the Paying Agent/Registrar, Remarketing Agents or the Tender Agent or any dispute in connection with any transaction contemplated under this Agreement or the Program Documents

(e) *Failure of Other Parties to Perform* Notice of the failure by the Remarketing Agents, the Tender Agent or the Paying Agent/Registrar to perform any of their respective obligations under the Program Documents

(f) *Changes in Ratings.* The City shall promptly give written notice to the Bank of (i) any change in the ratings of the Bonds of which the City has actual knowledge, and (ii) any ratings which may be assigned to Debt of the City which ranks on a parity with the bonds or any changes in such ratings

Section 5 14 Right of Entry The City shall permit the duly authorized representatives of the Bank during normal business hours and upon reasonable notice to enter the premises of the City, or any parts thereof, to examine and copy the City's financial books, records and accounts related to the Program Documents, and to discuss the affairs, finances, business and accounts related to the City's Pledged Revenues with the City's officers

Section 5 15 Payment of Obligations, Removal of Liens The City shall pay all indebtedness and obligations of the City in accordance with the terms thereof including all charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to the Pledged Revenues and promptly discharge or cause to be discharged all liens, encumbrances and charges on its property and assets

Section 5 16 Preservation of Existence, Ownership, Etc The City shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The City shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses

Section 5 17 Disclosure of Participants The City agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 5 11, to any Participants of the Bank in this Agreement

Section 5 18 Sovereign Immunity To the extent authorized by Texas Government Code Section 1371 059(c), the City agrees to waive sovereign immunity from suit and liability for the purposes of adjudicating a claim to enforce this Agreement or for damages for breach of this Agreement. The City further represents that to the extent its obligations hereunder represent the legal obligations of the City, it believes its non-discretionary duties are subject to enforcement in Texas courts by writ of mandamus, and that is not immune to an equitable mandamus action

Section 5 19 Paying Agent/Registrar, Tender Agent, Remarketing Agents The City shall not remove the Paying Agent/Registrar, the Tender Agent or a Remarketing Agent or appoint a tender agent, Paying Agent/Registrar or co-Paying Agent/Registrar or appoint a successor Paying Agent/Registrar, the Tender Agent or Remarketing Agent without the written consent of the Bank. If the position of Paying Agent/Registrar, the Tender Agent or Remarketing Agent becomes vacant, the City shall promptly appoint a successor which is reasonably acceptable to the Bank

Section 5 20 Conversions, Defeasance The City (a) shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agents, a copy of any written notice furnished by the City to the Remarketing Agents pursuant to the Ordinance indicating a proposed conversion of the interest rate on the Bonds; and (b) shall not permit a conversion of the Bonds to Bonds bearing an interest rate other than a Covered Rate without the prior written consent of the Bank if, after giving effect to such conversion, any Bonds remain as Bank Bonds. In addition, the City will not defease, nor allow the defeasance of, the Bonds without having contemporaneously satisfied all of its obligations hereunder

Section 5 21 Liens, Additional Debt and Rate Setting

(a) *Parity Liens* Except as permitted by the Ordinance, the City shall not grant any lien, pledge or security interest in the Pledged Revenues which is on parity with the lien on Pledged Revenues that secure the payment of the City's Obligations hereunder

(b) *Additional Debt* The City shall not issue any obligations after the Closing Date which are secured by a lien on Pledged Revenues that is senior to that securing the Bonds or the City's Obligations under this Agreement

Section 5 22 Incorporation of Covenants by Reference The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or

observed by it in each Program Document to which it is a party and in each case such provisions, together with the related definitions of terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety. To the extent that any such incorporated provision permits any Person to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement such provision shall be complied with unless it is waived by the Bank and such document, opinion or other instrument must be acceptable or satisfactory unless such satisfaction or acceptability is waived by the Bank, provided that such waiver by the Bank shall only be required if the action proposed to be taken would materially adversely affect the rights, interests or obligations of the Bank. The City shall provide the Bank with 30 days prior written notice of all actions or waivers proposed to be taken pursuant to this Section regardless of whether the City believes the Bank's consent is required

Section 5 23 Regulation U. The City is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying Margin Stock and will not use the proceeds of the Bonds or any amounts paid by the Bank hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of governors of the Federal Reserve System

Section 5 24 Ordinance a Contract The provisions of the Ordinance constitute a contract between the City and the owner or owners of the Bonds and the Bank, and any such owner shall have all rights and remedies afforded by the Ordinance and applicable law

Section 5 25 Rating Covenant The City agrees that while this Agreement is still in effect or any Obligations hereunder are outstanding it will maintain at least one published rating on its unenhanced Party Bonds

ARTICLE VI.

DEFAULTS

Section 6 01 Events of Default and Remedies If any of the following events shall occur, each such event shall be an "Event of Default"

(a) the City fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance, or (ii) any principal of or interest on any Bonds for any reason other than the failure of the Bank to perform its obligations hereunder,

(b) any representation, warranty or statement made by or on behalf of the City herein or in any Program Document to which the City is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made, or the documents, certificates or statements of the City (including unaudited financial reports, budgets, projections and cash flows of the City) furnished to the Bank by or on behalf of the City in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in

light of the circumstances under which they were made and as of the date on which they were made,

(c) (i) the City fails to perform or observe any term, covenant or agreement contained in Sections 5.02, 5.03, 5.05, 5.06, 5.07, 5.09, 5.10, 5.12, 5.16, 5.17, 5.18, 5.20, 5.21 or 5.24 inclusive; or (ii) the City fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 6.01(a) and (c)(i)) and any such failure cannot be cured or, if curable, remains uncured for 30 days after written notice thereof to the City,

(d) the City shall (i) default in any payment of any principal, premium, or interest on any of the City's long-term indebtedness (other than the Bonds, the Drawings or the Advances), beyond the period of grace, if any, provided in the instrument or agreement under which such long-term indebtedness was created, or (ii) default in the observance or performance of any agreement or condition relating to any long-term indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such long-term indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such long term indebtedness to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of this Agreement, the Ordinance or any other Program Document to which the City is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Program Document to which the City is a party, or (B) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not a valid and binding agreement of the City, or (ii) the City shall contest the validity or enforceability of this Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that this Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the City,

(f) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Program Document to which the City is a party, except for any Remarketing Agreement which has been terminated due to a substitution of a Remarketing Agent, or any material provision thereof shall cease to be in full force or effect, or the City or any Person acting by or on behalf of the City shall deny or disaffirm the City's obligations under the Ordinance or any other Program Document to which the City is a party,

(g) a final judgment or order for the payment of money from the revenues of the Pledged Revenues in excess of \$5,000,000 (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the City and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered,

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation secured by a lien, charge or encumbrance upon the Pledged Revenues, (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors, (iv) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (i) above and the same shall remain undismissed, (v) there shall be commenced against the City any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof, (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above, or (vii) the City shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due,

(i) any of Moody's, Fitch or S&P shall have downgraded its long-term unenhanced rating of any debt of the City secured by a lien on and pledge of the Pledged Revenues to below "Baa3" (or its equivalent), "BBB-" (or its equivalent) or "BBB-" (or its equivalent), respectively, or suspended or withdrawn its rating of the same, or

(j) an Event of Default under the Ordinance

Section 6 02 Remedies Upon the occurrence of any Event of Default the Bank, may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided

(a) by written notice to the City require that the City immediately prepay to the Bank in immediately available funds an amount equal to the Available Amount (such amount to be held by the Bank as collateral security for the Obligations), *provided, however,* that in the case of an Event of Default described in Section 6 01(h) hereof, such prepayment of an amount equal to the Available Amount shall

automatically become immediately due and payable without any notice (unless the coming due of such Obligations is waived by the Bank in writing).

(b) by notice to the City, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City, *provided* that upon the occurrence of an Event of Default under Section 6 01(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(c) give notice of the occurrence of any Event of Default to the Paying Agent/Registrar directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds pursuant to the terms of the Ordinance, thereby causing the Letter of Credit to expire 15 days thereafter,

(d) pursue any rights and remedies it may have under the Program Documents, or

(e) pursue any other action available at law or in equity

ARTICLE VII.

MISCELLANEOUS

Section 7 01 Unconditional Obligations The obligations of the City under this Agreement shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Ordinance and this Agreement, under all circumstances whatsoever, including, without limitation, the following

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit or, to the extent permitted by law, the Bonds, the Ordinance or any other Program Document,

(b) any amendment or waiver of or any consent to departure from the terms of the Ordinance or all or any of the Program Documents to which the Bank has not consented in writing,

(c) the existence of any claim, counterclaim, setoff, recoupment, defense or other right which any Person may have at any time against the Bank, the City, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agents, or any other Person, whether in connection with this Agreement, the Ordinance, the Program Documents, or any other transaction related thereto,

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever,

(e) payment by the Bank of a Drawing or an Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement; *provided* that such payment shall not have constituted gross negligence of the Bank, and

(f) any other circumstances or happening whatsoever whether or not similar to any of the foregoing

Section 7 02 Amendments, Liability of the Bank

(a) No amendment or waiver of any provision of this Agreement or, to the extent required by Section 5 02 hereof, any other Program Document, nor consent to any departure by the City therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given

(b) With respect to the Bank, the City, to the extent permitted by law, assumes all risks of the acts or omissions of the Paying Agent/Registrar and its agents in respect of their use of this Agreement or any amounts made available by the Bank hereunder. Neither the Bank nor any of its officers or directors shall be liable or responsible for (i) the use which may be made of this Agreement or the Letter of Credit or any amounts made available by the Bank under the Letter of Credit or for any acts or omissions of the Paying Agent/Registrar or the Remarketing Agents or its agents in connection therewith, (ii) the validity, sufficiency or genuineness of documents (other than the validity of this Agreement as to the Bank), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, or (iii) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the City shall have a claim against the Bank and the Bank shall be liable to the City to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the City which the City prove were caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with the terms thereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(c) The City assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the City and that the Bank assumes no liabilities or risks with respect thereto.

Section 7 03 Costs and Expenses, Reimbursement, Indemnification

(a) The City shall pay (i) on the Effective Date, all reasonable costs and expenses incurred by the Bank and its counsel in connection with the preparation, execution and delivery of this Agreement, the Letter of Credit and any other documents and instruments that may be delivered in connection therewith, (ii) all costs and

expenses incurred by the Bank, including reasonable fees and out-of-pocket expenses of counsel for the Bank, otherwise arising in connection with this Agreement, the Letter of Credit, the Ordinance and the Program Documents, including, without limitation, in connection with any amendment hereto or thereto, the enforcement hereof or thereof or the protection of the rights of the Bank hereunder or thereunder, and (iii) any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any other documents or instruments that may be delivered in connection herewith

(b) To the extent permitted by law and solely from the Pledged Revenues, the City agrees to reimburse and hold harmless the Bank, its officers, directors, employees and agents (each a '*Reimbursed Party*') from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which a Reimbursed Party may incur or be subject to (or which may be claimed against a Reimbursed Party by any Person) by reason of or in connection with the execution and delivery of and consummation of the transactions contemplated under this Agreement, the Letter of Credit the Ordinance and the Program Documents, including, without limitation, (i) the offering, sale, remarketing or resale of Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement contained or incorporated by reference in any official statement, or in any supplement or amendment thereof, prepared with respect to the Bonds, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver a preliminary official statement or an official statement to any offeree or purchaser of Bonds) and (ii) the execution and delivery of, or payment or failure to pay by any Person (other than the Bank as and when required by the terms and provisions of the Letter of Credit) under, this Agreement; *provided, however*, that the City shall not be required to reimburse the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the willful misconduct or negligence of the Bank (including without limitation, with respect to the Bank, failure of the Bank to honor its obligations to purchase Bonds upon the satisfaction of the applicable conditions precedent set forth herein and in accordance with the terms of this Agreement and the Letter of Credit) or (b) the material inaccuracy of any information included or incorporated by reference in any offering document referred to in Section 5 05 hereof concerning the Bank which was furnished in writing by the Bank expressly for inclusion or incorporated by reference therein. Nothing in this Section 7 03 is intended to limit the obligations of the City under the Bonds or of the City to pay its obligations hereunder under the Ordinance and under the Program Documents

(c) The provisions of this Section 7 03 and Sections 2 08 and 2 09 hereof shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the City hereunder. The Bank shall notify the City of any amounts which are owed to such party pursuant to this Section 7 03

Section 7 04 Notices Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be

deemed to have been given (i) in the case of notice by letter, when delivered by hand or four (4) days after the same is deposited in the U S mail, first class postage prepaid, and (ii) in the case of notice by telecopier, when sent, receipt confirmed, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Bond Insurer and the Remarketing Agents

City	City of Austin, Texas (Tax Identification No 74-600085) 700 Lavaca, Suite 1510 Austin, Texas 78701 Attention Treasurer Telephone (512) 974-7882 Telecopy (512) 370-3838
Bank.	Dexia Credit Local, New York Branch 445 Park Avenue, 8th Floor New York, New York 10022 Attention Vice President, Operations Telephone (212) 515-7007 Telecopy (212) 753-7522
Paying Agent/Registrar/Tender Agent	Deutsche Bank National Trust Company 25 DeForest Avenue, 2 nd Floor Summit, NJ 07901 Attention Trust & Securities Services Telephone (908) 608-4094 Telecopy (908) 608-3220
Remarketing Agents	Morgan Keegan & Company, Inc 50 North Front Street, 50th Floor Memphis, Tennessee 38103 Attention Thomas Galvin Telephone (901)-579-4226 Telecopy (901)-579-4363 Banc of America Securities LLC 214 North Tryon Street Charlotte, NC 28255 Attention Kenny Rogers Telephone (704) 386-9028 Telecopy (704) 388-0393

Section 7.05 Survival of Covenants, Successors and Assigns

(a) All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect until all of the Obligations hereunder shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the City which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank. The City may not transfer its rights or obligations under this Agreement without the prior written consent of the Bank. The Bank may transfer some or all of its rights and obligations under this Agreement with the prior written consent of the City (which consent shall not be withheld unreasonably), *provided* that (i) the City has received written notice from at least two nationally recognized rating agencies that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Bonds, and (ii) the Bank shall be responsible for all costs resulting from the transfer. This Agreement is made solely for the benefit of the City and the Bank, and no other Person (including, without limitation, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agents or any holder of Bonds) shall have any right, benefit or interest under or because of the existence of this Agreement, *provided further* that the City's liability to any Participant shall not in any event exceed that liability which the City would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement on a participating basis but not as a party to this Agreement (a "*Participation*"), *provided* the Bank receives the prior written consent of the City. In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the City shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement. The City agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement as if such Participant were the Bank, *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.01 hereof.

Section 7.06 Governing Law, Waiver of Trial by Jury. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, *PROVIDED, HOWEVER*, THE OBLIGATIONS OF THE CITY HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE

THE PARTIES HERETO EACH HEREBY IRREVOCABLY SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, AT THE ELECTION OF THE PARTY INITIATING ANY SUCH SUIT, ACTION OR PROCEEDING WHICH IS BROUGHT BY OR AGAINST THE BANK, THE TENDER AGENT, THE PAYING AGENT/REGISTRAR OR THE CITY, AND THE

PARTIES EACH HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED BY ANY SUCH COURT.

TO THE FULLEST EXTENT PERMITTED BY LAW, THE CITY, THE TENDER AGENT, PAYING AGENT/REGISTRAR AND THE BANK HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ORDINANCE OR ANY OF THE PROGRAM DOCUMENTS.

Section 7 07 No Waivers, Amendments Etc No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by the parties hereto.

Section 7 08 Counterparts This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument

Section 7 09 Source of Funds The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the City

Section 7 10 Headings Section headings in this Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of Agreement

Section 7 11 Complete and Controlling Agreement This Agreement, the Ordinance and the other Program Documents completely set forth the agreements between the Bank and the City and supersede all prior agreements, both written and oral, between the Bank and the City relating to the matters set forth herein, in the Ordinance and in the Program Documents

Section 7 12 USA PATRIOT Act Notice The Bank hereby notifies the City that pursuant to the requirements of the USA Patriot Act (Title III of Pub L 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Act

Section 7 13 Assignment to Federal Reserve Bank The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the City of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the City to the Bank in accordance with the terms of this Agreement shall satisfy the City's obligations hereunder in respect of such assigned obligation to the extent of such payment No such assignment shall release the Bank from its obligations hereunder

IN WITNESS WHEREOF, the City and the Bank have duly executed this Agreement as of
the date first above written.

CITY OF AUSTIN, TEXAS

By: _____
Name _____
Title _____

DEXIA CREDIT, acting through its New York Branch

By. _____
Name _____
Title _____

APPENDIX I

IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

August 14, 2008

**U S \$ _____

DCL # _____

Deutsche Bank National Trust Company,
as Paying Agent/Registrar (the "*Paying Agent/Registrar*"),
under the Ordinance adopted on July 24, 2008 (the "*Ordinance*")
25 DeForest Avenue, 2nd Floor
Summit, NJ 07901

Ladies and Gentlemen

We hereby establish in your favor as Paying Agent/Registrar for the benefit of the holders of the Bonds, as hereinafter defined, our irrevocable transferable direct-pay Letter of Credit DCL # _____ (this "*Letter of Credit*") for the account of the City of Austin, Texas (the "*City*"), whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on (a) August 14, 2011 (as extended from time to time, the "*Stated Expiration Date*"), (b) the earlier of (i) the date which is 15 days following the date on which the rate on all of the Bonds has been converted to bear interest at a rate other than a Covered Mode (as defined in the hereinafter defined Reimbursement Agreement) as such date is specified in a certificate in the form of Exhibit A hereto (the "*Conversion Date*"), or (ii) the date on which the Bank honors a drawing under this Letter of Credit on or after the Conversion Date, (c) the date which is 15 days following receipt from you of a certificate in the form set forth as Exhibit B hereto, and (d) the date which is 15 days following receipt by you of a written notice from us specifying the occurrence of an Event of Default under the Reimbursement Agreement, dated as of August 1, 2008 (the "*Reimbursement Agreement*"), by and between the City and Dexia Credit Local, acting through its New York Branch (the "*Bank*") and directing you to cause a mandatory tender of the Bonds pursuant to the terms of the (the earliest of such dates to occur referred to herein as the "*Termination Date*"), a maximum aggregate amount not exceeding U S \$ _____ (the "*Original Stated Amount*") to pay principal of and accrued interest on, or the purchase price of \$ _____ City of Austin, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Revenues Refunding Bonds, Series 2008 consisting of \$59,645,000 of Subseries 2008A Bonds and \$59,645,000 of Subseries 2008B Bonds (collectively, the "*Bonds*") in accordance with the terms hereof (said \$ _____ having been calculated to be equal to \$ _____, the original principal amount of the Bonds, plus \$ _____ which is at least 35 days' accrued interest on said principal amount of the Bonds at the rate of 10% per annum (the "*Cap Interest Rate*") and a three hundred sixty-five (365) day year). This credit is available to you against presentation of the following documents (the "*Payment Documents*") presented to the Bank as described below

A certificate (with all blanks appropriately completed) (i) in the form attached as Exhibit C hereto to pay accrued interest on the Bonds as provided for under Part 5.2 of Appendix A to the Ordinance (an "*Interest Drawing*"), (ii) in the form attached as Exhibit D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds as provided for in Part 5.2 of Appendix A to the Ordinance (a "*Redemption Drawing*"), *provided* that in the event the date of redemption coincides with an Interest Payment Date (as defined in the Ordinance) the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) in the form attached as Exhibit E hereto, to allow the Paying Agent/Registrar, to pay the purchase price of Bonds tendered for purchase as provided for in Article IV of Appendix A to the Ordinance which have not been successfully remarketed or for which the purchase price has not been received by the Paying Agent/Registrar by 10:30 a.m., New York time, on the purchase date (a "*Liquidity Drawing*"), *provided* that in the event the purchase date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), or (iv) in the form attached as Exhibit F hereto to pay the principal amount of Bonds maturing on November 15, 2029 (a "*Stated Maturity Drawing*"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit for Bank Bonds or for Bonds bearing interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on behalf of the City.

All Drawings shall be made by presentation of each Payment Document at the Bank's office at 445 Park Avenue, 8th Floor, New York, New York 10022, Telecopier Number (212) 753-7522, Attention Public Finance Department, or at such other address or facsimile number as we may specify to you in writing without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of a Drawing. You shall use your best efforts to give telephonic notice of a Drawing to the Bank at (212) 515-7007 on the Business Day, as hereinafter defined preceding the day of such Drawing (but such notice shall not be a condition to a Drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Liquidity, or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If such Drawing, other than a Liquidity Drawing, is presented prior to 2:00 p.m., New York time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds by 11:00 a.m., New York time, on the following Business Day. If any such Drawing, other than a Liquidity Drawing, is presented at or after 2:00 p.m., New York time, on a Business Day, payment shall be made to the account

number or address designated by you of the amount specified, in immediately available funds, by 2:30 p m , New York time, on the following Business Day. If a Liquidity Drawing is presented prior to 10:30 a m , New York time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 2:00 p m , New York time, on the same Business Day. If a Liquidity Drawing is presented at or after 10:30 a m , New York time, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 11:00 a m , New York time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by the Paying Agent/Registrar in the drawing certificate relating to a particular Drawing hereunder. "Business Day" means any day other than (a) a Saturday, Sunday, (b) a day on which banks located in cities in which the designated office of any of the Tender Agent, the Remarketing Agents, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational.

The Available Amount, as hereinafter defined will be reduced automatically by the amount of any Drawing hereunder, *provided, however*, that the amount of any Interest Drawing hereunder, less the amount of the reduction in the Available Amount attributable to interest as specified in a certificate in the form of Exhibit D or G hereto, shall be automatically reinstated immediately upon payment by the Bank of such Drawing. After payment by the Bank of a Liquidity Drawing, the obligation of the Bank to honor Drawings under this Letter of Credit will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said Drawing. In addition, prior to the Conversion Date, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Bank's obligation to honor Drawings hereunder will be automatically reinstated concurrently upon receipt by the Bank, or the Paying Agent/Registrar on behalf of the Bank, of an amount equal to the Original Purchase Price of such Bonds (or portion thereof), the amount of such reinstatement shall be equal to the Original Purchase Price of such Bonds (or portions thereof). "*Original Purchase Price*" shall mean the principal amount of any Bond purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bond paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

Upon receipt by the Bank of a certificate of the Paying Agent/Registrar in the form of Exhibit D or G hereto, the Letter of Credit will automatically and permanently reduce the amount available to be drawn hereunder by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute Letter of Credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit H hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The "*Available Amount*" shall mean the Original Stated Amount less (a) the amount of all prior reductions pursuant to Interest, Redemption, Liquidity or Stated Maturity Drawings,

less (b) the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit D or G hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to clause (a) above; plus (c) the amount of all reinstatements as above provided

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the City by delivering to you an amendment to this Letter of Credit in the form of Exhibit J hereto designating the date to which the Stated Expiration Date is being extended. Each such extension of the Stated Expiration Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

This Letter of Credit is transferable in whole only to your successor as Paying Agent/Registrar. Any such transfer (including any successive transfer) shall be effective upon receipt by the Bank (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Bank) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit I hereto (which shall be conclusive evidence of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place, *provided that*, in such case, any certificates of the Paying Agent/Registrar to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to the Bank at 445 Park Avenue, 8th Floor, New York, New York 10022, Telecopier Number (212) 753-7522, Attention Public Finance Department, specifically referring to the number of this Letter of Credit.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication No. 600 (the "*Uniform Customs*"), except for Article 32, the second sentence of Article 38(d) and Article 38(e) thereof and notwithstanding the provisions of the second sentence of Article 36 of the Uniform Customs, if this Letter of Credit expires during an interruption of business (as defined in Article 36 of the Uniform Customs), the Banks agree to effect payment under this Letter of Credit if a Drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business and, as to matters not governed by the Uniform Customs, this Letter of Credit shall be governed by the internal laws of the State of New York, including, without limitation, the Uniform Commercial Code as in effect in the State of New York.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever

DEXIA CREDIT LOCAL, acting through its New York
Branch

By: _____
Name _____
Title _____

EXHIBIT A
TO
LETTER OF CREDIT DCL # _____

NOTICE OF CONVERSION DATE

[Date]

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022
Attention Public Finance Department

Ladies and Gentlemen

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), which has been established by the Bank for the account of City of Austin, Texas in favor of [_____] , as Paying Agent/Registrar

The undersigned hereby certifies and confirms that the Conversion Date of all of the Bonds to a rate other than a Covered Mode (as defined in the Reimbursement Agreement) has occurred on [insert date], and, accordingly, said Letter of Credit shall terminate 15 days after such Conversion Date in accordance with its terms

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

**EXHIBIT B
TO
LETTER OF CREDIT**

NOTICE OF TERMINATION

[Date]

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022
Attention: Public Finance Department

Ladies and Gentlemen

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), which has been established by the Bank for the account of City of Austin (the "*City*") in favor of [_____] as Paying Agent/Registrar.

The undersigned hereby certifies and confirms that (a) no Bonds (as defined in the Letter of Credit), remain Outstanding within the meaning, of the Ordinance (as defined in the Letter of Credit), (b) all drawings required to be made under the Ordinance and available under the Letter of Credit have been made and honored, or (c) a substitute letter of credit has been issued to replace the Letter of Credit pursuant to the Ordinance and the Reimbursement Agreement dated as of August 1, 2008, by and between the City and the Bank, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

EXHIBIT C
TO
LETTER OF CREDIT DCL # _____

INTEREST DRAWING CERTIFICATE

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022

Attention Public Finance Department

The undersigned individual, a duly authorized representative of _____
(the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to
(a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated
August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary,
(b) those certain Bonds, as defined in the Letter of Credit, and (c) that certain Ordinance, as
defined in the Letter of Credit

1. The Beneficiary is the Paying Agent/Registrar, as defined in the Letter of
Credit, under the Ordinance

2 The Beneficiary is entitled to make this Drawing in the amount of
\$ _____ under the Letter of Credit pursuant to the Ordinance with respect to the
payment of interest due on all Bonds outstanding on the Interest Payment Date (as
defined in the Ordinance) occurring on [insert applicable date], other than Bank Bonds
(as defined in the Letter of Credit), Bonds which bear interest at a rate other than a
Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on
behalf of the City (as defined in the Letter of Credit)

3 The amount of the Drawing is equal to the amount required to be drawn by
the Paying Agent/Registrar pursuant to Part 5 2 of Appendix A to the Ordinance

4 The amount of the Drawing made by this Certificate was computed in
compliance with the terms of the Ordinance and, when added to the amount of any other
Drawing under the Letter of Credit made simultaneously herewith, does not exceed the
Available Amount, as defined in the Letter of Credit

5 Payment by the Bank pursuant to this drawing shall be made to
_____. ABA Number _____, Account Number _____,
Attention _____, Re _____

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____,
20__

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

EXHIBIT D
TO
LETTER OF CREDIT DCL # _____

REDEMPTION DRAWING AND REDUCTION CERTIFICATE

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022

Attention: Public Finance Department

The undersigned individual, a duly authorized representative of _____ (the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated _____, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary, (b) those certain Bonds, as defined in the Letter of Credit, and (c) that certain Ordinance, as defined in the Letter of Credit

1. The Beneficiary is the Paying Agent/Registrar, as defined in the Letter of Credit, under the Indenture

2. The Beneficiary is entitled to make this Drawing in the amount of \$ _____ under the Letter of Credit pursuant to Part 5.2 of Appendix A to the Ordinance

3. (a) The amount of this Drawing is equal to (i) the principal amount of Bonds to be redeemed by the City, as defined in the Letter of Credit, pursuant to Part 3.04 of Appendix A to the Ordinance on [insert applicable date] (the "*Redemption Date*") other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement or Bonds owned by or on behalf of the City (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Ordinance) to the Redemption Date, *provided* that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds

(b) Of the amount stated in paragraph 2 above

(i) \$ _____ is demanded in respect of the principal amount of the Bonds referred to in paragraph (a) above, and

(ii) \$ _____ is demanded in respect of accrued interest on such Bonds

4. Payment by the Bank pursuant to this Drawing shall be made to _____, ABA Number _____, Account Number _____, Attention _____, Re _____

5. The amount of the Drawing made by this Certificate was computed in compliance with the terms and conditions of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit.

6 Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount] The Available Amount has been reduced by an amount equal to the principal of Bonds paid with this Drawing and an amount equal to 35 days' interest thereon at the Cap Interest Rate, as defined in the Letter of Credit

7 Of the amount of the reduction stated in paragraph 6 above:

(a) \$_____ is attributable to the principal amount of Bonds redeemed; and

(b) \$_____ is attributable to interest on such Bonds (i.e., 35 days' interest thereon at the Cap Interest Rate)

8 The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit

9 Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (to the extent such Bonds are not Bank Bonds, as defined in the Letter of Credit), other than Bonds bearing interest at a rate other than a Covered Mode or bonds owned by or on behalf of the City plus 35 days' interest thereon at the Cap Interest Rate

10 ¹In the case of a redemption pursuant to Part 3.04 of the Ordinance, the Paying Agent/Registrar, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such redemption

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____,

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

¹ To be included in certificate only if Section [_____] is referenced in paragraph 2 or 3 above

EXHIBIT E
TO
LETTER OF CREDIT DCL # _____

LIQUIDITY DRAWING CERTIFICATE

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022

Attention Public Finance Department

The undersigned individual, a duly authorized representative of _____ (the "*Beneficiary*") hereby certifies as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit

1. The Beneficiary is the Paying Agent/Registrar under the Ordinance

2 The Beneficiary is entitled to make this Drawing under the Letter of Credit in the amount of \$ _____ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Article IV of Appendix A to the Ordinance and to be purchased on [insert applicable date] (the "*Purchase Date*") which Bonds have not been remarketed as provided in the Ordinance or the purchase price of which has not been received by the Beneficiary by 10 30 a.m., New York time, on said Purchase Date.

3 (a) The amount of the Drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Ordinance on the Purchase Date other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement or Bonds owned by or on behalf of the City (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Ordinance) (or if none, the date of issuance of the Bonds) to the Purchase Date, *provided* that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds

(b) Of the amount stated in paragraph 2 above

(i) \$ _____ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in paragraph 2 above, and

(ii) \$ _____ is demanded in respect of payment of the interest portion of the purchase price of such Bonds

4 The amount of the Drawing made by this Certificate was computed in compliance with the terms and conditions of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit

5 The Beneficiary will register or cause to be registered in the name of the Bank upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds to the Paying Agent/Registrar in accordance with the Ordinance

6 Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention _____, Re _____

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____,

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

EXHIBIT F
TO
LETTER OF CREDIT DCL # _____

STATED MATURITY DRAWING CERTIFICATE

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022

Attention Public Finance Department

The undersigned individual, a duly authorized representative of _____
(the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to
(a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated
August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary;
(b) those certain Bonds, as defined in the Letter of Credit, and (c) that certain Ordinance, as
defined in the Letter of Credit

1 The Beneficiary is the Paying Agent/Registrar under the Ordinance

2 The Beneficiary is entitled to make this Drawing in the amount of
\$ _____ under the Letter of Credit pursuant to the Ordinance

3 The amount of this Drawing is equal to the principal amount of Bonds
outstanding on _____, 20____, the maturity date thereof as specified in the
Ordinance, other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear
interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement
or Bonds owned by or on behalf of the City (as defined in the Letter of Credit)

4 The amount of this Drawing made by this Certificate was computed in
compliance with the terms and conditions of the Ordinance and, when added to the
amount of any other Drawing under the Letter of Credit made simultaneously herewith,
does not exceed the Available Amount, as defined in the Letter of Credit.

5 Payment by the Bank pursuant to this drawing shall be made to
_____, ABA Number _____, Account Number _____,
Attention _____, Re _____

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____,
_____.

{PAYING AGENT/REGISTRAR}

By _____
Name _____
Title _____

EXHIBIT G
TO
LETTER OF CREDIT DCL # _____

REDUCTION CERTIFICATE

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022
Attention Public Finance Department

The undersigned individual, a duly authorized representative of _____ (the "*Beneficiary*"), hereby certifies with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary, (b) those certain Bonds, as defined in the Letter of Credit, and (c) that certain Ordinance, as defined in the Letter of Credit

- 1 The Beneficiary is the Paying Agent/Registrar under the Ordinance
- 2 Upon receipt by the Bank of this Certificate, the Available Amount, as defined in the Letter of Credit, shall be reduced by \$ _____ and the Available Amount shall thereupon equal \$ _____ \$ _____ of the new Available Amount is attributable to interest
- 3 The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit
- 4 Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (other than Bank Bonds (as defined in the Letter of Credit), Bonds bearing interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on behalf of the City (as defined in the Letter of Credit)) plus 35 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit)

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____,

[PAYING AGENT/REGISTRAR]

By _____
Name _____
Title _____

EXHIBIT H
TO
LETTER OF CREDIT DCL # _____

NOTICE OF AMENDMENT

[Date] _____

[PAYING AGENT/REGISTRAR]

Attention

Ladies and Gentlemen

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of August 1, 2008, by and between the City of Austin, Texas, and us the Available Amount, as defined in the Letter of Credit, has been reduced to \$ _____.

This letter should be attached to the Letter of Credit and made a part thereof

DEXIA CREDIT LOCAL, acting through its New York
Branch

By _____
Name _____
Title _____

EXHIBIT I
TO
LETTER OF CREDIT DCL # _____
TRANSFER CERTIFICATE

[Date]

Dexia Credit Local
445 Park Avenue, 8th Floor
New York, New York 10022
Attention. Public Finance Department

Ladies and Gentlemen

Reference is made to that certain Irrevocable Transferable Direct-Pay Letter of Credit No DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"). which has been established by the Bank (as defined in the Letter or Credit) in favor of _____

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder

[TRANSFEROR]

By _____
Name _____
Title _____

EXHIBIT J
TO
LETTER OF CREDIT DCL # _____

NOTICE OF EXTENSION

[PAYING AGENT/REGISTRAR]

Attention.
Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # _____ dated August 14, 2008 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of May 1, 2008, by and between the City (as defined in the Letter of Credit) and the Bank (as defined in the Letter of Credit), the Stated Expiration Date, as defined in the Letter of Credit, has been extended to _____

This letter should be attached to the Letter of Credit and made a part thereof

DEXIA CREDIT LOCAL, acting through its New York
Branch

By _____
Name _____
Title _____

**Exhibit D
to
Ordinance**

REMARKETING AGREEMENT

REMARKETING AGREEMENT

Dated as of

August __, 2008

Between

CITY OF AUSTIN, TEXAS

And

MORGAN KEEGAN & COMPANY, INC ,
as Remarketing Agent

Related to

CITY OF AUSTIN, TEXAS
HOTEL OCCUPANCY TAX

SUBORDINATE LIEN VARIABLE RATE REVENUE REFUNDING BONDS,
SERIES 2008

\$_____ Subseries A Bonds

REMARKETING AGREEMENT

THIS REMARKETING AGREEMENT dated as of August __, 2008 (this "Agreement"), between **CITY OF AUSTIN, TEXAS** (the "Issuer"), and **MORGAN KEEGAN & COMPANY, INC.**, as Remarketing Agent (the "Remarketing Agent")

Recitals

A. The Issuer authorized the issuance of its City of Austin, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (the "Bonds"), in the aggregate principal amount of \$_____, pursuant to the provisions of Ordinance No 20080724-__ adopted and approved by the Issuer on July 24, 2008 (the "Ordinance") Deutsche Bank Trust Company Americas has been appointed as paying agent and bond registrar (the "Paying Agent/Registrar") with respect to the Bonds under the Ordinance. All terms not otherwise defined in this Remarketing Agreement have the meanings ascribed to such terms in the Ordinance.

B. Pursuant to the Ordinance the Bonds are issued as two subseries (each, a "Subseries"), and the Bonds may bear interest at variable interest rates and, under the circumstances, at the times and in the manner provided in the Ordinance, may be, and at certain times are required to be, tendered by the holders thereof for purchase.

C. The Bonds are subject to both optional and mandatory tender for purchase by the holders thereof and to remarketing, all as provided in the Ordinance.

D. The Bonds are more fully described in the Official Statement, dated August __, 2008 (the "Official Statement") and the Ordinance.

E. Pursuant to the Ordinance, the Issuer desires to appoint Morgan Keegan & Company, Inc., as its agent for the remarketing of the Subseries A Bonds to perform the services of Remarketing Agent provided for herein and in the Ordinance and Morgan Keegan & Company, Inc. is willing to do so on the terms and conditions set forth herein.

F. The City has entered into a Reimbursement Agreement, dated as of August __, 2008, (the "Liquidity Facility") with Dexia Credit Local, acting through its New York Branch (the "Bank"), pursuant to which the Bank has agreed to issue a direct pay letter of credit (the "Letter of Credit") for the payment of the principal and interest on the Bonds and to provide liquidity to pay the purchase price of any tendered Bonds.

NOW, THEREFORE in consideration of the foregoing and the mutual representations, covenants and agreements set forth in this Agreement, the parties to this Agreement hereby covenant and agree as follows:

1. Representations and Warranties of the Issuer. The Issuer represents and warrants to the Remarketing Agent that as of the date hereof:

(a) The representations and warranties made by the Issuer in the Liquidity Facility to the Bank are true and correct.

(b) This Agreement has been duly authorized by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy or other laws affecting the enforcement of creditors' rights generally or by general equitable principles and except as rights of indemnity or contribution hereunder may be limited by law or public policy

2. Acceptance of Appointment and Obligations of Remarketing Agent.

(a) Morgan Keegan & Company, Inc. hereby accepts its appointment as the Remarketing Agent for the Subseries A Bonds and hereby accepts and agrees to perform *the duties and obligations imposed upon it as Remarketing Agent under the Ordinance*

(b) The Remarketing Agent hereby certifies that it is a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and is authorized by law to perform all the duties imposed upon it as Remarketing Agent by this Agreement and the Ordinance

(c) The Remarketing Agent will determine the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate and the Fixed Rate and, in the case of Subseries A Bonds bearing interest in the Commercial Paper Mode, the Interest Periods therefor, all in accordance with the Ordinance, and will give notice of such rates in the manner and to the persons specified therein. In addition, the Remarketing Agent will provide all notices in the manner and at the times set forth in the Ordinance

(d) The Remarketing Agent will keep books and records with respect to its duties as Remarketing Agent as is consistent with prudent industry practice and will make those books and records available for inspection by the Issuer at all reasonable times during its normal business hours

(e) The Remarketing Agent will be acting solely as an agent in the resale of the Subseries A Bonds and will use its best efforts to remarket the Subseries A Bonds in accordance with the Ordinance and perform all other duties assigned to it under the Ordinance. In the event of any conflict between the terms of this Agreement and the Ordinance, the Ordinance shall control

3 Fees and Expenses While any Subseries A Bonds bear interest at a Weekly Rate, unless otherwise agreed upon from time to time by the Issuer and the Remarketing Agent, the Issuer will pay the Remarketing Agent directly as compensation for its services for any Subseries A Bonds bearing interest at a Weekly Rate, a fee equal to _____ (____ %) per annum of the weighted average principal amount of the Subseries A Bonds outstanding bearing interest at a Weekly Rate during each three-month period (or from the date of the remarketing of such Bonds to the first interest payment date with respect thereto), payable quarterly in arrears on each _____, _____, _____ and _____, commencing _____ 2008. If the Bonds are to bear interest at a Daily Rate or at a Commercial Paper Rate, the Issuer will pay the Remarketing Agent for Subseries A Bonds bearing interest at a Daily Rate or at a Commercial Paper Rate a remarketing fee that is mutually agreed to by the Issuer and the Remarketing Agent at the time of conversion of any Subseries A Bonds to a Daily Rate or a

Commercial Paper Rate, as applicable. The Remarketing Agent will not be entitled to compensation after this Agreement is terminated except for a pro rata portion of the fee in respect of the quarter in which such termination occurs. Additionally, the Issuer will reimburse the Remarketing Agent for its reasonable out-of-pocket expenses in performing its obligations hereunder, including, without limitation, expenses incurred in the preparation and distribution of the Disclosure Documents (referred to in section 4) and in connection with the proposed conversion of any Subseries A Bonds from one Mode to another Mode. The parties anticipate that separate arrangements for compensation will be made for the remarketing of Subseries A Bonds in connection with a conversion to the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode at the time of such conversion.

4. Disclosure Document If required under any applicable law or as a material change in the information in a disclosure document heretofor used in connection with the sale or theretofore used in connection with the remarketing of the Subseries A Bonds, which may include the Official Statement (the "Disclosure Document"), the Issuer promptly will provide the Remarketing Agent with a disclosure document reasonably satisfactory to the Remarketing Agent and its counsel in respect of the Subseries A Bonds. The Issuer will supply the Remarketing Agent with such number of copies of such disclosure document as the Remarketing Agent reasonably requests from time to time, within such reasonable time period as will permit the Remarketing Agent to comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"). The Issuer will supplement and amend the Disclosure Document so that, at all times when used in connection with the remarketing of the Subseries A Bonds, the Disclosure Document to their knowledge will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, however, that no such amendment or supplement will be made prior to allowing the Remarketing Agent a reasonable opportunity to review it. The Issuer will not, however, be required to make representations or warranties as to statements or omissions based upon information furnished to the Issuer in writing by or on behalf of the Remarketing Agent relating to the Remarketing Agent expressly for use therein.

The Issuer agrees to notify the Remarketing Agent promptly in writing of the occurrence of any of the following events:

- (a) any default under the Bonds, the Ordinance or the Liquidity Facility of which it has knowledge or any event which, with notice or lapse of time or both, would constitute such an event of default,
- (b) any event with respect to the Subseries A Bonds which requires the delivery of a favorable Opinion of Bond Counsel pursuant to the Ordinance,
- (c) any optional redemption pursuant to the Ordinance,
- (d) any mandatory redemption (other than pursuant to sinking fund provisions) pursuant to the Ordinance,

- (e) each material amendment, modification or supplement to the Ordinance,
- (f) any adverse change, or threatened adverse change, in the federal income tax treatment of interest on the Subseries A Bonds,
- (g) any fact or occurrence as a result of which the Disclosure Document would be or become false or misleading in any material respect or any representation or warranty made herein would become false,
- (h) any material adverse change in the financial condition or general affairs of the Issuer, or
- (i) any reduction, qualification or withdrawal or any written suggestion by any rating agency that it is considering a possible reduction, qualification, or withdrawal in the rating of the Subseries A Bonds, or
- (j) any failure of the Liquidity Provider to honor the Letter of Credit or other default by the Liquidity Provider

The Issuer hereby acknowledges the requirements imposed on the Remarketing Agent by the Rule. The Issuer covenants and agrees that it will comply with the continuing disclosure requirements pursuant to Section (b)(5)(i) of the Rule to the extent applicable to the Remarketing Agent and the Bonds, and take such other actions as is reasonably necessary to enable the Remarketing Agent to comply with the Rule, if applicable.

Upon the request of the Remarketing Agent, which may be made from time to time, the Issuer shall cooperate with the Remarketing Agent to cause the Subseries A Bonds to qualify for offer, remarketing and sale under the blue sky laws as the Remarketing Agent may designate, and the Issuer shall pay, or reimburse if paid by the Remarketing Agent, all reasonable fees and disbursement of counsel for the Remarketing Agent and all other expenses and filing fees in connection therewith, provided however, that the Issuer shall not be required to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in any jurisdiction in which it is not otherwise subject to taxation.

The Issuer shall deliver to the Remarketing Agent such additional information concerning the business and financial condition of the Issuer as the Remarketing Agent may reasonably request.

5 Indemnification

(a) To the extent permitted by law, the Issuer agrees to indemnify and hold harmless the Remarketing Agent and each Person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) the Remarketing Agent against any and all losses, claims, damages, expenses, and liabilities whatsoever arising out of any untrue statement or alleged untrue statement of a material fact in the any Disclosure Document or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the

circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, if such settlement is effected with the written consent of the Issuer, and any amount reasonably incurred in investigating, preparing, or defending against any litigation commenced or threatened or any claim based upon any such untrue statement or omission or alleged untrue statement or omission, provided however, the Issuer shall not indemnify the Remarketing Agent or any Person, for losses, claims, damages, expenses or liabilities arising from information provided by Banc of America Securities LLC, Morgan Keegan & Company, Inc., Dexia or DTC for use in a Disclosure Document. In case any claim should be made or action brought against any of the Remarketing Agent or any controlling Person (as aforesaid) based upon the Disclosure Document, in respect of which indemnity may be sought against the Issuer, the Remarketing Agent or such controlling Person shall, promptly notify the Issuer in writing setting forth the particulars of such claim or action and the Issuer shall assume the defense thereof, including the retaining of counsel and the payment of all expenses, provided however that failure to provide such notification shall not affect an indemnified party's right to indemnification hereunder. The Remarketing Agent or any such controlling Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the Remarketing Agent's expense or the expense of such controlling Person unless the retaining of such counsel has been specifically authorized in writing by the Issuer or counsel has advised the Remarketing Agent that the representation of the two parties would constitute a conflict and be inappropriate due to actual or potential differing of interests between them.

(b) The Remarketing Agent will indemnify and hold harmless the Issuer, each of its officers and employees and each Person who controls the Issuer within the meaning of the Securities Act, to the same extent as the foregoing indemnity from the Issuer to the Remarketing Agent, but only with respect (i) to written information relating to the Remarketing Agent under the captions "DESCRIPTION OF THE BONDS – Remarketing Agents" and "DESCRIPTION OF THE BONDS - Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents," which information was furnished by the Remarketing Agents specifically for use in preparation of the Official Statement or (ii) written information relating to the Remarketing Agents furnished by the Remarketing Agent specifically for use in any other Disclosure Document or any supplement or amendment thereto.

(c) If the indemnification provided for above is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities referred to above, then each indemnifying party, in lieu of indemnifying such indemnified party, shall to the extent permitted by law, contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer and the Remarketing Agent from the remarketing of the Subseries A Bonds or (ii) in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuer and of the Remarketing Agent in connection

with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuer and the Remarketing Agent shall be deemed to be in the same respective proportions as the net proceeds from the remarketing (before deducting expenses) received by the Issuer and the total compensation received by the Remarketing Agent in the preceding twelve (12) months, pursuant to section 3 hereunder. *The relative fault of the Issuer and the Remarketing Agent shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer or by the Remarketing Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.*

(d) The Issuer and the Remarketing Agent agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this section 5, the Remarketing Agent shall not be required to contribute hereunder any amount in excess of the aggregate amount of remarketing fees paid to the Remarketing Agent under Section 3 hereof. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) to the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

6. Remarketing Agent's Liabilities The Remarketing Agent will incur no liability to the Issuer or any other party for its actions as Remarketing Agent pursuant to the terms hereof and of the Ordinance except for (i) the liabilities for which the Remarketing Agent has agreed to indemnify the Issuer and others pursuant to section 5 above, and (ii) its negligence or willful misconduct. In setting the interest rates on the Subseries A Bonds, the Remarketing Agent will not be liable for any error made in good faith. The undertaking of the Remarketing Agent to remarket any Subseries A Bonds pursuant to the Ordinance is on a "best efforts" basis.

The duties and obligations of the Remarketing Agent will be determined solely by the express provisions of this Agreement and the Ordinance, and the Remarketing Agent will not be responsible for the performance of any duties and obligations other than as are specifically set forth in this Agreement and the Ordinance, and no implied covenants or obligations will be read into this Agreement or the Ordinance against the Remarketing Agent. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to it and conforming to the requirements of this Agreement or the Ordinance and the Remarketing Agent may rely and will be protected in acting upon such notice or any document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

7. Resignation or Removal of Remarketing Agent The Remarketing Agent may be removed at any time, with or without cause, by the Issuer, upon twenty (20) days written notice.

by the Issuer to the Remarketing Agent, the Paying Agent/Registrar, the Tender Agent, the Bank, and the Liquidity Facility Issuer, if any. In addition, pursuant to the Ordinance, the Remarketing Agent may be removed for failure to perform its duties under the Ordinance or for a suspension of its remarketing activity. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least thirty (30) days written notice to the Issuer, the Paying Agent/Registrar, the Tender Agent, the Bank and the Liquidity Facility Issuer, if any, provided a successor remarketing agent has been appointed. If no successor has been appointed prior to the expiration of such thirty (30) day period, such resignation shall take effect on the earlier of the sixtieth (60th) day following the date of such notice or the effective date of the appointment of a successor, provided that the Remarketing Agent may immediately cease to offer and sell the Subseries A Bonds if the Issuer ceases to pay the Remarketing Agent's fees, when due, or if the Remarketing Agent determines, in its reasonable judgment, that its ability to remarket the Subseries A Bonds has been or will be adversely affected as a result of the occurrence of any of the following events, which suspension will continue so long as, in the Remarketing Agent's reasonable judgment, such event continues to adversely affect the Remarketing Agent's ability to remarket the Subseries A Bonds:

(a) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that (i) the Subseries A Bonds, or any comparable securities of the Issuer or any obligations of the general character of the Subseries A Bonds, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, (ii) the offer and sale of the Subseries A Bonds, or any comparable securities of the Issuer or any obligations of the general character of the Subseries A Bonds would be in violation of any provision of applicable securities laws,

(b) there shall have been any material adverse change in the affairs of the Issuer,

(c) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction or a material disruption in commercial banking or securities settlement or clearance services shall have occurred,

(d) there shall have occurred (i) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs or (ii) the occurrence of any other calamity or crisis or any change in the financial, political, or economic conditions in the United States or elsewhere,

(e) a downgrade or withdrawal of the rating of the Subseries A Bonds shall have occurred or there shall have occurred or notice shall have been given of any intended downgrading or published negative change in outlook in the rating accorded to any of the Issuer's debt obligations that are secured in a like manner as the Subseries A Bonds (including the Subseries A Bonds),

1

(f) there shall be established any new or additional restriction on transactions in securities materially affecting trading in or the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the Securities and Exchange Commission or any other governmental, administrative, executive or regulatory authority or by any national securities exchange,

(g) a stop order, release, regulation, or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the remarketing of the Subseries A Bonds, including all the underlying obligations as contemplated hereby or by any Disclosure Document, is or would be in violation of any provision of applicable securities laws,

(h) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that exchange or by an order of the Securities and Exchange Commission or any other governmental authority having jurisdiction,

(i) there shall exist any event or circumstance that in the Remarketing Agent's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in any Disclosure Document or is not reflected in any Disclosure Document but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect,

(j) the Remarketing Agent determines, in its sole discretion upon consultation with counsel, that either (i) a disclosure document is required by applicable law to be distributed to prospective purchasers and that such document is not available or, if available, is not reasonably satisfactory to the Remarketing Agent in form or substance or (ii) a continuing disclosure undertaking is required by applicable law and that such undertaking is either not then in effect or is not reasonably satisfactory to the Remarketing Agent in form or substance,

(k) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the State or legislation shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character of that to be derived by the Issuer from its operations, or upon interest received on obligations of the general character of the Subseries A Bonds that, in the Remarketing Agent's reasonable judgment, materially adversely affects the

market for the Subseries A Bonds, or the market price generally of obligations of the general character of the Subseries A Bonds,

(l) the Remarketing Agent receives an opinion of Bond Counsel to the Issuer (a copy of which will be furnished to the Issuer) that substantial grounds exist upon which interest on the Subseries A Bonds is not excludable from gross income for federal income tax purposes, or

(m) an insolvency event, including, without limitation, the bankruptcy or default of any other issuer of or obligor on obligations of the general character of the Subseries A Bonds, shall have occurred

In addition, the Remarketing Agent will suspend its remarketing efforts upon receipt of notice of the occurrence of an event of default under the Subseries A Bonds, the Ordinance or the Liquidity Facility, or upon a wrongful dishonor of the Letter of Credit or other default of the Liquidity Provider

8. Dealing in Securities by Remarketing Agent The Remarketing Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Subseries A Bonds, and may join in any action which any owner of such Bonds may be entitled to take with like effect as it did not act in any capacity hereunder, however, the Remarketing Agent will have no obligation hereunder to buy or take any position in the Subseries A Bonds for its own account. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee, or agent for any committee or body of owners of such Bonds or other obligations of the Issuer freely as if it did not act in any capacity hereunder

9. Intention of Parties It is the express intention of the parties hereto that no purchase, sale or transfer of any Subseries A Bonds as herein provided, will constitute or be construed to be the extinguishment of any such Bond or the indebtedness represented thereby or the reissuance of any Subseries A Bond or the refunding of any indebtedness represented thereby

10. Amendment

(a) The Issuer agrees not to consent to any amendment of the provisions of the Ordinance with respect to this Agreement or the rights and duties of the Remarketing Agent hereunder or thereunder without the prior written consent of the Remarketing Agent which will not be unreasonably withheld

(b) This Agreement may not be amended except by a writing signed by each of the parties hereto, may not be assigned without the mutual consent of the parties hereto, and will not confer any rights upon any other person or any registered or beneficial owners of the Subseries A Bonds in their capacities as such

11 Notices.

Unless otherwise provided, all notices, requests, demands and formal actions hereunder must be in writing and mailed, telegraphed or delivered, as follows

If to the Issuer

City of Austin
700 Lavaca, Suite 1510
Austin, Texas 78701
Attention Treasurer
Tel 512-974-7882

If to the Remarketing Agent

Morgan Keegan & Company, Inc
50 North Front Street, 50th Floor
Memphis, Tennessee 38103
Attention: Thomas Galvin
Tel 901-579-4226
Fax 901-579-4363

If to the Paying Agent/Registrar or the Tender Agent

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
Mail Stop NYC60-2715
New York, New York 10005
Attention Christina Van Ryzin
Telephone (212) 250-7848
Facsimile (212) 797-8618
E-mail Christina.van-ryzin@db.com

If to the Bank

Dexia Crédit Local, acting through its New York Branch
445 Park Avenue, 7th Floor
New York, New York 10022
Attention Public Finance Department, Richard E Skiera
Telephone (212) 515-7000
Facsimile (212) 753-5516

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates requests or other communications is sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

12 Governing Law and Waiver of Trial by Jury THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO ALSO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY

ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS REMARKETING AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY

13. Execution of Counterparts This Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document

14. Electronic Transaction The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents will be deemed to be authentic and valid counterparts of the original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

15. Severability If any clause, provision or Section hereof is ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or Section will not affect any of the remaining clauses, provisions or sections hereof

16. The obligations of the respective parties hereto may not be assigned or delegated to any other person without the consent of the other parties hereto. This Agreement will inure to the benefit of and be binding upon the Issuer and the Remarketing Agent and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation other than persons, if any, controlling the Remarketing Agent within the meaning of the Securities Act

17. All of the representations, warranties and agreements contained in this Agreement of the Issuer and the Remarketing Agent shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Remarketing Agent or the Issuer, (ii) delivery of and any payment for any Subseries A Bonds hereunder or (iii) termination or cancellation of this Agreement

18. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provision of this Agreement

19. This Agreement shall only be amended, supplemented or modified in a writing signed by a duly authorized representative of the parties hereto

20. The Remarketing Agent may record telephone communications with the Issuer, the Paying Agent, the Trustee, or the Tender Agent, or all of them

21. This Agreement shall not be deemed or construed to be modified, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto

22. Failure of any party to this Agreement to exercise any right or remedy hereunder in the event of a breach of this Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach

[Execution Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed by their duly authorized officers as of the day and year first above written

CITY OF AUSTIN, TEXAS, as
Issuer

By _____
Name _____
Title _____

MORGAN KEEGAN & COMPANY, INC., as
Remarketing Agent

By _____
Name _____
Title _____

REMARKETING AGREEMENT

Dated as of

August __, 2008

Between

CITY OF AUSTIN, TEXAS

And

**BANC OF AMERICA SECURITIES LLC
as Remarketing Agent**

Related to:

**CITY OF AUSTIN, TEXAS
HOTEL OCCUPANCY TAX**

**SUBORDINATE LIEN VARIABLE RATE REVENUE REFUNDING BONDS,
SERIES 2008**

\$_____ Subseries B Bonds

REMARKETING AGREEMENT

THIS REMARKETING AGREEMENT dated as of August __, 2008 (this "Agreement"), between **CITY OF AUSTIN, TEXAS** (the "Issuer"), and **BANC OF AMERICA SECURITIES LLC**, as Remarketing Agent (the "Remarketing Agent")

Recitals

A. The Issuer authorized the issuance of its City of Austin, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (the "Bonds"), in the aggregate principal amount of \$ _____, pursuant to the provisions of Ordinance No 20080724-__ adopted and approved by the Issuer on July 24, 2008 (the "Ordinance") Deutsche Bank Trust Company Americas has been appointed as paying agent and bond registrar (the "Paying Agent/Registrar") with respect to the Bonds under the Ordinance. All terms not otherwise defined in this Remarketing Agreement have the meanings ascribed to such terms in the Ordinance.

B. Pursuant to the Ordinance the Bonds are issued as two subseries (each, a "Subseries"), and the Bonds may bear interest at variable interest rates and, under the circumstances, at the times and in the manner provided in the Ordinance, may be, and at certain times are required to be, tendered by the holders thereof for purchase.

C. The Bonds are subject to both optional and mandatory tender for purchase by the holders thereof and to remarketing, all as provided in the Ordinance.

D. The Bonds are more fully described in the Official Statement, dated August __, 2008 (the "Official Statement") and the Ordinance.

E. Pursuant to the Ordinance, the Issuer desires to appoint Banc of America Securities LLC, as its agent for the remarketing of the Subseries B Bonds to perform the services of Remarketing Agent provided for herein and in the Ordinance, and Banc of America Securities LLC is willing to do so on the terms and conditions set forth herein.

F. The City has entered into a Reimbursement Agreement, dated as of August __ 2008, (the "Liquidity Facility") with Dexia Credit Local, acting through its New York Branch (the "Bank"), pursuant to which the Bank has agreed to issue a direct pay letter of credit (the "Letter of Credit") for the payment of the principal and interest on the Bonds and to provide liquidity to pay the purchase price of any tendered Bonds.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, covenants and agreements set forth in this Agreement, the parties to this Agreement hereby covenant and agree as follows:

1. **Representations and Warranties of the Issuer** The Issuer represents and warrants to the Remarketing Agent that as of the date hereof:

(a) The representations and warranties made by the Issuer in the Credit Facility to the Bank and Deutsche Bank Trust Company Americas (the "Tender Agent"), are true and correct

(b) This Agreement has been duly authorized by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy or other laws affecting the enforcement of creditors' rights generally or by general equitable principles and except as rights of indemnity or contribution hereunder may be limited by law or public policy

2. Acceptance of Appointment and Obligations of Remarketing Agent.

(a) Banc of America Securities LLC hereby accepts its appointment as the Remarketing Agent for the Subseries B Bonds and hereby accepts and agrees to perform the duties and obligations imposed upon it as Remarketing Agent under the Ordinance

(b) The Remarketing Agent hereby certifies that it is a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and is authorized by law to perform all the duties imposed upon it as Remarketing Agent by this Agreement and the Ordinance

(c) The Remarketing Agent will determine the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate and the Fixed Rate and, in the case of Subseries B Bonds bearing interest in the Commercial Paper Mode the Interest Periods therefor, all in accordance with the Ordinance, and will give notice of such rates in the manner and to the persons specified therein. In addition, the Remarketing Agent will provide all notices in the manner and at the times set forth in the Ordinance

(d) The Remarketing Agent will keep books and records with respect to its duties as Remarketing Agent as is consistent with prudent industry practice and will make those books and records available for inspection by the Issuer at all reasonable times during its normal business hours

(e) The Remarketing Agent will be acting solely as an agent in the resale of the Subseries B Bonds and will use its best efforts to remarket the Subseries B Bonds in accordance with the Ordinance and perform all other duties assigned to it under the Ordinance. In the event of any conflict between the terms of this Agreement and the Ordinance, the Ordinance shall control

3. Fees and Expenses While any Subseries B Bonds bear interest at a Weekly Rate, unless otherwise agreed upon from time to time by the Issuer and the Remarketing Agent, the Issuer will pay the Remarketing Agent directly as compensation for its services for any Subseries B Bonds bearing interest at a Weekly Rate, a fee equal to _____ (____ %) per annum of the weighted average principal amount of the Subseries B Bonds outstanding bearing interest at a Weekly Rate during each three-month period (or from the date of the remarketing of such Bonds to the first interest payment date with respect thereto), payable quarterly in arrears on each _____, _____, _____ and _____ commencing _____, 2008. If the Bonds are to bear interest at a Daily Rate or at a Commercial Paper

Rate, the Issuer will pay the Remarketing Agent for Subseries B Bonds bearing interest at a Daily Rate or a Commercial Paper Rate a remarketing fee that is mutually agreed to by the Issuer and the Remarketing Agent at the time of conversion of any Subseries B Bonds to a Daily Rate or Commercial Paper Rate, as applicable. The Remarketing Agent will not be entitled to compensation after this Agreement is terminated except for a pro rata portion of the fee in respect of the quarter in which such termination occurs. Additionally, the Issuer will reimburse the Remarketing Agent for its reasonable out-of-pocket expenses in performing its obligations hereunder including, without limitation, expenses incurred in the preparation and distribution of the Disclosure Documents (referred to in section 4) and in connection with the proposed conversion of any Subseries B Bonds from one Mode to another Mode. The parties anticipate that separate arrangements for compensation will be made for the remarketing of Subseries B Bonds in connection with a conversion to the Term Rate Mode, the Auction Rate mode, or the Fixed Rate Mode at the time of such conversion.

4 Disclosure Document If required under any applicable law or as a material change in the information in a disclosure document heretofore used in connection with the sale or theretofore used in connection with the remarketing of the Subseries B Bonds, which may include the Official Statement (the "Disclosure Document"), the Issuer promptly will provide the Remarketing Agent with a disclosure document reasonably satisfactory to the Remarketing Agent and its counsel in respect of the Subseries B Bonds. The Issuer will supply the Remarketing Agent with such number of copies of such disclosure document as the Remarketing Agent reasonably requests from time to time, within such reasonable time period as will permit the Remarketing Agent to comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"). The Issuer will supplement and amend the Disclosure Document so that, at all times when used in connection with the remarketing of the Subseries B Bonds, the Disclosure Document to their knowledge will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, however, that no such amendment or supplement will be made prior to allowing the Remarketing Agent a reasonable opportunity to review it. The Issuer will not, however, be required to make representations or warranties as to statements or omissions based upon information furnished to the Issuer in writing by or on behalf of the Remarketing Agent relating to the Remarketing Agent expressly for use therein.

The Issuer agrees to notify the Remarketing Agent promptly in writing of the occurrence of any of the following events

- (a) any default under the Bonds, the Ordinance or the Liquidity Facility of which it has knowledge or any event which, with notice or lapse of time or both, would constitute such an event of default,
- (b) any event with respect to the Subseries B Bonds which requires the delivery of a favorable Opinion of Bond Counsel pursuant to the Ordinance,
- (c) any optional redemption pursuant to the Ordinance,

- (d) any mandatory redemption (other than pursuant to sinking fund provisions) pursuant to the Ordinance,
- (e) each material amendment, modification or supplement to the Ordinance,
- (f) any adverse change, or threatened adverse change, in the federal income tax treatment of interest on the Subseries B Bonds,
- (g) any fact or occurrence as a result of which the Disclosure Document would be or become false or misleading in any material respect or any representation or warranty made herein would become false,
- (h) any material adverse change in the financial condition or general affairs of the Issuer, or
- (i) any reduction, qualification or withdrawal or any written suggestion by any rating agency that it is considering a possible reduction, qualification, or withdrawal in the rating of the Subseries B Bonds, or,
- (j) any failure of the Liquidity Provider to honor the Letter of Credit or other default by the Liquidity Provider

The Issuer hereby acknowledges the requirements imposed on the Remarketing Agent by the Rule. The Issuer covenants and agrees that it will comply with the continuing disclosure requirements pursuant to Section (b)(5)(i) of the Rule to the extent applicable to the Remarketing Agent and the Bonds, and take such other actions as is reasonably necessary to enable the Remarketing Agent to comply with the Rule, if applicable.

Upon the request of the Remarketing Agent, which may be made from time to time, the Issuer shall cooperate with the Remarketing Agent to cause the Subseries B Bonds to qualify for offer, remarketing and sale under the blue sky laws as the Remarketing Agent may designate, and the Issuer shall pay, or reimburse if paid by the Remarketing Agent, all reasonable fees and disbursement of counsel for the Remarketing Agent and all other expenses and filing fees in connection therewith, provided however, that the Issuer shall not be required to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in any jurisdiction in which it is not otherwise subject to taxation.

The Issuer shall deliver to the Remarketing Agent such additional information concerning the business and financial condition of the Issuer as the Remarketing Agent may reasonably request.

5. Indemnification

- (a) To the extent permitted by law, the Issuer agrees to indemnify and hold harmless the Remarketing Agent and each Person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) the Remarketing Agent against any and all losses, claims, damages, expenses, and

liabilities whatsoever arising out of any untrue statement or alleged untrue statement of a material fact in the any Disclosure Document or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, if such settlement is effected with the written consent of the Issuer, and any amount reasonably incurred in investigating, preparing, or defending against any litigation commenced or threatened or any claim based upon any such untrue statement or omission or alleged untrue statement or omission, provided however, the Issuer shall not indemnify the Remarketing Agent or any Person, for losses, claims, damages, expenses or liabilities arising from information provided from Banc of America Securities LLC, Morgan Keegan & Company, Inc., Dexia or the DTC for use in a Disclosure Document. In case any claim should be made or action brought against any of the Remarketing Agent or any controlling Person (as aforesaid) based upon the Disclosure Document, in respect of which indemnity may be sought against the Issuer, the Remarketing Agent or such controlling Person shall, promptly notify the Issuer in writing setting forth the particulars of such claim or action and the Issuer shall assume the defense thereof, including the retaining of counsel and the payment of all expenses, provided however that failure to provide such notification shall not affect an indemnified party's right to indemnification hereunder. The Remarketing Agent or any such controlling Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the Remarketing Agent's expense or the expense of such controlling Person unless the retaining of such counsel has been specifically authorized in writing by the Issuer or counsel has advised the Remarketing Agent that the representation of the two parties would constitute a conflict and be inappropriate due to actual or potential differing of interests between them.

(b) The Remarketing Agent will indemnify and hold harmless the Issuer, each of its officers and employees and each Person who controls the Issuer within the meaning of the Securities Act, to the same extent as the foregoing indemnity from the Issuer to the Remarketing Agent, but only with respect (i) to written information relating to the Remarketing Agents under the captions "DESCRIPTION OF THE BONDS - Remarketing Agents" and "DESCRIPTION OF THE BONDS - Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents," which information was furnished by the Remarketing Agents specifically for use in preparation of the Official Statement or (ii) written information relating to the Remarketing Agents furnished by the Remarketing Agent specifically for use in any other Disclosure Document or any supplement or amendment thereto.

(c) If the indemnification provided for above is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities referred to above, then each indemnifying party, in lieu of indemnifying such indemnified party shall to the extent permitted by law, contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer and the

Remarketing Agent from the remarketing of the Subseries B Bonds or (ii) in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuer and of the Remarketing Agent in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuer and the Remarketing Agent shall be deemed to be in the same respective proportions as the net proceeds from the remarketing (before deducting expenses) received by the Issuer and the total compensation received by the Remarketing Agent in the preceding twelve (12) months, pursuant to section 3 hereunder. The relative fault of the Issuer and the Remarketing Agent shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer or by the Remarketing Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Issuer and the Remarketing Agent agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this section 5, the Remarketing Agent shall not be required to contribute hereunder any amount in excess of the aggregate amount of remarketing fees paid to the Remarketing Agent under Section 3 hereof. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) to the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

6. Remarketing Agent's Liabilities. The Remarketing Agent will incur no liability to the Issuer or any other party for its actions as Remarketing Agent pursuant to the terms hereof and of the Ordinance except for (i) the liabilities for which the Remarketing Agent has agreed to indemnify the Issuer and others pursuant to section 5 above, and (ii) its negligence or willful misconduct. In setting the interest rates on the Subseries B Bonds, the Remarketing Agent will not be liable for any error made in good faith. The undertaking of the Remarketing Agent to remarket any Subseries B Bonds pursuant to the Ordinance is on a "best efforts" basis.

The duties and obligations of the Remarketing Agent will be determined solely by the express provisions of this Agreement and the Ordinance, and the Remarketing Agent will not be responsible for the performance of any duties and obligations other than as are specifically set forth in this Agreement and the Ordinance and no implied covenants or obligations will be read into this Agreement or the Ordinance against the Remarketing Agent. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to it and conforming to the requirements of this Agreement or the Ordinance and the Remarketing Agent may rely and will be protected in acting upon such notice or any document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

7. **Resignation or Removal of Remarketing Agent** The Remarketing Agent may be removed at any time, with or without cause, by the Issuer, upon twenty (20) days written notice by the Issuer to the Remarketing Agent, the Paying Agent/Registrar, the Tender Agent, the Bank, and the Liquidity Facility Issuer, if any. In addition, pursuant to the Ordinance, the Remarketing Agent may be removed for failure to perform its duties under the Ordinance or for a suspension of its remarketing activity. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least thirty (30) days written notice to the Issuer, the Paying Agent/Registrar, the Tender Agent, the Bank and the Liquidity Facility Issuer, if any, provided a successor remarketing agent has been appointed. If no successor has been appointed prior to the expiration of such thirty (30) day period, such resignation shall take effect on the earlier of the sixtieth (60th) day following the date of such notice or the effective date of the appointment of a successor, provided that the Remarketing Agent may immediately cease to offer and sell the Subseries B Bonds if the Issuer ceases to pay the Remarketing Agent's fees, when due, or if the Remarketing Agent determines, in its reasonable judgment, that its ability to remarket the Subseries B Bonds has been or will be adversely affected as a result of the occurrence of any of the following events, which suspension will continue so long as, in the Remarketing Agent's reasonable judgment, such event continues to adversely affect the Remarketing Agent's ability to remarket the Subseries B Bonds

(a) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that (i) the Subseries B Bonds, or any comparable securities of the Issuer or any obligations of the general character of the Subseries B Bonds, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (ii) the offer and sale of the Subseries B Bonds, or any comparable securities of the Issuer or any obligations of the general character of the Subseries B Bonds would be in violation of any provision of applicable securities laws,

(b) there shall have been any material adverse change in the affairs of the Issuer,

(c) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction or a material disruption in commercial banking or securities settlement or clearance services shall have occurred,

(d) there shall have occurred (i) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs or (ii) the occurrence of any other calamity or crisis or any change in the financial, political, or economic conditions in the United States or elsewhere,

(e) a downgrade or withdrawal of the rating of the Subseries B Bonds shall have occurred or there shall have occurred or notice shall have been given of any intended downgrading or published negative change in outlook in the rating accorded to

any of the Issuer's debt obligations that are secured in a like manner as the Subseries B Bonds (including the Subseries B Bonds),

(f) there shall be established any new or additional restriction on transactions in securities materially affecting trading in or the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the Securities and Exchange Commission or any other governmental, administrative, executive or regulatory authority or by any national securities exchange,

(g) a stop order, release, regulation, or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the remarketing of the Subseries B Bonds, including all the underlying obligations as contemplated hereby or by any Disclosure Document, is or would be in violation of any provision of applicable securities laws,

(h) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that exchange or by an order of the Securities and Exchange Commission or any other governmental authority having jurisdiction,

(i) there shall exist any event or circumstance that in the Remarketing Agent's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in any Disclosure Document or is not reflected in any Disclosure Document but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect,

(j) the Remarketing Agent determines, in its sole discretion upon consultation with counsel, that either (i) a disclosure document is required by applicable law to be distributed to prospective purchasers and that such document is not available or, if available, is not reasonably satisfactory to the Remarketing Agent in form or substance or (ii) a continuing disclosure undertaking is required by applicable law and that such undertaking is either not then in effect or is not reasonably satisfactory to the Remarketing Agent in form or substance,

(k) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the State or legislation shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character of that to be derived by the Issuer from its operations, or

upon interest received on obligations of the general character of the Subseries B Bonds that, in the applicable Remarketing Agent's reasonable judgment, materially adversely affects the market for the Subseries B Bonds, or the market price generally of obligations of the general character of the Subseries B Bonds,

(l) the Remarketing Agent receives an opinion of Bond Counsel to the Issuer (a copy of which will be furnished to the Issuer) that substantial grounds exist upon which interest on the Subseries B Bonds is not excludable from gross income for federal income tax purposes, or

(m) an insolvency event, including, without limitation, the bankruptcy or default of any other issuer of or obligor on obligations of the general character of the Subseries B Bonds, shall have occurred

In addition, the Remarketing Agent will suspend its remarketing efforts upon receipt of notice of the occurrence of an event of default under the Subseries B Bonds, the Ordinance or the Liquidity Facility, or upon a wrongful dishonor of the Letter of Credit or other default of the Liquidity Provider

8. Dealing in Securities by Remarketing Agent The Remarketing Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Subseries B Bonds, and may join in any action which any owner of such Bonds may be entitled to take with like effect as it did not act in any capacity hereunder, however, the Remarketing Agent will have no obligation hereunder to buy or take any position in the Subseries B Bonds for its own account. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee, or agent for any committee or body of owners of such Bonds or other obligations of the Issuer freely as if it did not act in any capacity hereunder

9. Intention of Parties It is the express intention of the parties hereto that no purchase, sale or transfer of any Subseries B Bonds as herein provided, will constitute or be construed to be the extinguishment of any such Bond or the indebtedness represented thereby or the reissuance of any Subseries B Bond or the refunding of any indebtedness represented thereby

10. Amendment

(a) The Issuer agrees not to consent to any amendment of the provisions of the Ordinance with respect to this Agreement or the rights and duties of the Remarketing Agent hereunder or thereunder without the prior written consent of the Remarketing Agent which will not be unreasonably withheld

(b) This Agreement may not be amended except by a writing signed by each of the parties hereto, may not be assigned without the mutual consent of the parties hereto, and will not confer any rights upon any other person or any registered or beneficial owners of the Subseries B Bonds in their capacities as such

11. Notices.

Unless otherwise provided, all notices, requests, demands and formal actions hereunder must be in writing and mailed, telegraphed or delivered, as follows

If to the Issuer

City of Austin
700 Lavaca, Suite 1510
Austin, Texas 78701
Attention: Treasurer
Tel 512-974-7882

If to the Remarketing Agent

Banc of America Securities LLC
214 North Tryon Street
Charlotte, NC 28255
Attention: Kenny Rogers
Tel (704) 386-9028
Fax (704) 388-0393

If to the Paying Agent/Registrar or the Tender Agent

Deutsche Bank Trust Company Americas
60 Wall Street 27th Floor
Mail Stop NYC60-2715
New York, New York 10005
Attention: Christina Van Ryzin
Telephone (212) 250-7848
Facsimile (212) 797-8618
E-mail Christina.van-ryzin@db.com

If to the Bank

Dexia Credit Local, acting through its New York Branch
445 Park Avenue, 7th Floor
New York, New York 10022
Attention: Public Finance Department, Richard E Skiera
Telephone (212) 515-7000
Facsimile (212) 753-5516

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications is sent. In addition the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

12. Governing Law and Waiver of Trial by Jury THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO ALSO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS REMARKETING AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY

13. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document

14. Electronic Transaction The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents will be deemed to be authentic and valid counterparts of the original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law

15. Severability If any clause, provision or Section hereof is ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or Section will not affect any of the remaining clauses, provisions or sections hereof

16. The obligations of the respective parties hereto may not be assigned or delegated to any other person without the consent of the other parties hereto. This Agreement will inure to the benefit of and be binding upon the Issuer and the Remarketing Agent and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation other than persons, if any, controlling the Remarketing Agent within the meaning of the Securities Act

17. All of the representations, warranties and agreements contained in this Agreement of the Issuer and the Remarketing Agent shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Remarketing Agent or the Issuer, (ii) delivery of and any payment for any Subseries B Bonds hereunder or (iii) termination or cancellation of this Agreement

18. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part this Agreement and will not be used in the interpretation of any provision of this Agreement

19. This Agreement shall only be amended, supplemented or modified in a writing signed by a duly authorized representative of the parties hereto

20 The Remarketing Agent may record telephone communications with the Issuer, the Paying Agent, the Trustee, or the Tender Agent, or all of them

21 This Agreement shall not be deemed or construed to be modified, rescinded, canceled or waived, in whole or in part except by a written instrument signed by a duly authorized representative of the parties hereto

22. Failure of any party to this Agreement to exercise any right or remedy hereunder in the event of a breach of this Agreement by any other party shall not constitute a waiver of any *such right or remedy with respect to any subsequent breach*

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed by their duly authorized officers as of the day and year first above written.

CITY OF AUSTIN, TEXAS, as
Issuer

By _____
Name _____
Title _____

BANC OF AMERICA SECURITIES LLC, as
Remarketing Agent

By _____
Name _____
Title _____

**Exhibit E
to
Ordinance**

TENDER AGENT AGREEMENT

TENDER AGENT AGREEMENT

TENDER AGENT AGREEMENT, dated as of July 24, 2008, between the City of Austin, Texas (the "City") and Deutsche Bank Trust Company Americas, New York, New York, a banking corporation organized and existing under the laws of the State of New York and authorized to do business in the State of Texas, or its successors or assigns hereunder (the "Tender Agent").

WHEREAS, the City proposes to issue its "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008" (the "Bonds"), pursuant to Ordinance No. 20080724-101, together with all appendices and exhibits thereto, adopted by the City on July 24, 2008, such Ordinance delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" (the Ordinance and the Pricing Certificate, collectively hereinafter, the "Ordinance"), and

WHEREAS, the Bonds are being issued as two subseries as further described in the Ordinance, and

WHEREAS, the Bonds and the Ordinance provide, among other things, that the registered owners (the "Holders") of the Bonds are required to tender their Bonds to the Tender Agent for purchase at various times and under various conditions, in each case in accordance with the provisions of the Bonds and the Ordinance; and

WHEREAS, pursuant to the terms of Remarketing Agreements, dated as of August 1, 2008 (collectively, the "Remarketing Agreement") between the City and (i) Morgan Keegan & Company, Inc. in relation to the Subseries 2008A Bonds and (ii) Banc of America Securities LLC in relation to the Subseries 2008B Bonds, Morgan Keegan & Company, Inc. and Banc of America Securities LLC (collectively, the "Remarketing Agent") have agreed to use its best efforts to remarket any Bonds tendered for purchase to the Tender Agent by the Holders thereof pursuant to the Ordinance, and

WHEREAS, pursuant to the terms of a Reimbursement Agreement among the City and Dexia Credit Local, acting through its New York Branch (the "Bank"), dated as of August 1, 2008 (the "Reimbursement Agreement"), the Bank has agreed to issue its letter of credit, subject to certain terms and conditions, to purchase Bonds which have been tendered to the Tender Agent pursuant to the Ordinance and which have not been remarketed by the Remarketing Agent,

NOW, THEREFORE, in consideration of the premises and to provide for the coordination of said arrangements, the parties hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned to them in the Ordinance, including Appendix A thereto

SECTION 2. Appointment of Tender Agent. Subject to the terms and conditions contained herein and in the Ordinance, Deutsche Bank Trust Company Americas, New York, New York, is hereby designated and appointed Tender Agent in the performance of its duties and obligations hereunder and under the Ordinance. Deutsche Bank Trust Company Americas, New York, New York, hereby accepts such appointment and the City consents to such designation and appointment. Deutsche Bank Trust Company Americas, New York, New York, hereby certifies that it is qualified to act as the Tender Agent under the Ordinance, and has the capacity to, and agrees to, perform the duties and responsibilities of the Tender Agent herein and under the Ordinance.

During the term hereof, the Tender Agent hereby covenants and agrees to maintain an office in New York, New York where Bonds no longer held in the Book-Entry System may be delivered and tendered for purchase to the Tender Agent. The initial designated office of the Tender Agent in New York, New York is. Deutsche Bank Trust Company Americas, Trust & Securities Services, 60 Wall Street, 27th Floor, MS NYC60-2715, New York, New York 10005

Bonds tendered for purchase which are held in Book-Entry System shall be tendered pursuant to Article IV of Appendix A of the Ordinance.

SECTION 3 Creation of Purchase Fund There is established in the Ordinance and maintained with the Tender Agent, as agent for the Paying Agent/Registrar, a separate fund to be known as the "Purchase Fund," which shall be held by the Tender Agent for the exclusive benefit of the Holders of Bonds who are entitled to be paid the Purchase Price of such Bonds from such Fund and, to the extent of any surplus, the Person who deposited the money into the applicable account of the Purchase Fund. The Tender Agent shall further establish separate accounts within the Purchase Fund to be known as the "Liquidity Facility Purchase Account," and the "Remarketing Proceeds Account "

Upon receipt from the Remarketing Agent of the proceeds of remarketing a Bond to Persons other than Excluded Persons on the date such Bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing

Proceeds Account for application to the Purchase Price of the remarketed Bond. Notwithstanding the foregoing, upon the receipt of the proceeds of remarketing Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider. Any amounts deposited in the Remarketing Proceeds Account and not needed with respect to the Purchase Price for any Bonds (including undetermined Bonds) shall be immediately returned to the order of the Remarketing Agent.

Upon receipt from the Liquidity Provider of immediately available funds to pay the Purchase Price of Bonds, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Bonds (including undetermined Bonds) shall be immediately returned to the order of the Liquidity Provider.

Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts.

SECTION 4 Deposit of Bonds The Tender Agent agrees to hold all Bonds delivered to it (or transferred to the DTC Participant account of the Tender Agent if such Bonds are held in the Book-Entry System) pursuant to Part 4.10 of Appendix A to the Ordinance, in trust for the benefit of the respective Holders which delivered or transferred such Bonds, until required to be delivered by the Tender Agent pursuant to Section 10 or Section 11 hereof. With respect to any Liquidity Provider Bonds held in the Book-Entry System and delivered to the Tender Agent under Section 8 hereof, the Tender Agent shall act as a DTC Participant on behalf of the Bank, as beneficial owner of such Liquidity Provider Bonds, and shall take all such actions on behalf of the Bank as may be required with respect thereto during such time as such Liquidity Provider Bonds are held in the Book-Entry System.

SECTION 5 Tenders; Remarketing of the Bonds.

(a) **Mandatory Tenders** No later than immediately after the Tender Agent becomes aware of a Mandatory Purchase Date, it shall notify by Electronic Means confirmed by mailed written notice the Liquidity Provider, the Credit Provider, the City and the Remarketing Agent of the clause of the definition of Mandatory Purchase Date pursuant to which such Mandatory Purchase Date exists,

such Mandatory Purchase Date, the Purchase Price, the numbers of the Bonds to be purchased if less than all of the Bonds owned by such Holder are to be purchased and that interest on the Bonds subject to mandatory tender shall cease to accrue for the account of such Holders from and after the Purchase Date

(b) Optional Tenders. Unless otherwise set forth in the Ordinance, the Beneficial Owners of Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to an Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a an irrevocable notice submitted by Electronic Means (the "Tender Notes") promptly confirmed in writing by such Owner by telecopier to the Tender Agent and Remarketing Agent by 11 00 a m , or such other time required by the Liquidity Facility, (for Daily Mode) and 4.00 p m (for Weekly Mode). Immediately upon receipt of a Tender Notice, the Tender Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such Tender Notice

(c) Remarketing of the Bonds

(i) On each Purchase Date on which the Remarketing Agent is to remarket Bonds, the Remarketing Agent shall notify by Electronic Means the City and the Tender Agent by 9:30 a m , New York City time, if it has remarketed all the tendered Bonds or if it has been unable to remarket any tendered Bonds, and shall include in such notice the principal amount of Bonds it has been unable to remarket.

(ii) The Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12 45 p.m , New York City time, of the names of the purchasers of the remarketed Bonds and such information as may be necessary to register the Bonds and the registration instructions (i e., the names, addresses and taxpayer identification numbers of the purchasers and the desired Authorized Denominations) with respect thereto.

(iii) The Remarketing Agent shall, at or prior to 9 45 a m., New York City time, cause the aggregate Purchase Price of tendered Bonds that have been successfully remarketed to be paid to the Tender Agent in immediately available funds for deposit to the Remarketing Proceeds Account of the Purchase Fund.

(iv) On each Purchase Date, if the Remarketing Agent shall have given notice to the Tender Agent described above that it has been unable to

remarket any of the Bonds, the Tender Agent shall direct the Paying Agent/Registrar to draw on the Liquidity Facility, or make demand for the purchase of tendered Bonds thereunder, before 10:30 a.m., New York City time, in an amount equal to the Purchase Price of all such Bonds which have not been successfully remarketed.

SECTION 6 Tender of Bonds to Tender Agent. Each Holder who is required to tender its Bond to the Tender Agent must tender such Bond to the Tender Agent in accordance with Part 4 10 of Appendix A, of the Ordinance. Any Bonds required to be tendered for purchase which are not in fact delivered, but for which there has been irrevocably deposited with the Tender Agent in the Purchase Fund an amount of money sufficient to pay the Purchase Price thereof, shall be deemed to have been purchased by the Tender Agent pursuant to the Ordinance.

SECTION 7. [Reserved]

SECTION 8 Purchase of Tendered Bonds by the Bank, Deposits into the Liquidity Facility Purchase Account of the Purchase Fund; Notice to Paying Agent/Registrar and Tender Agent; Release of Liquidity Provider Bonds The Bank, upon receipt of a Liquidity Drawing Certificate in the form of Exhibit E to the Reimbursement Agreement, has agreed in the Reimbursement Agreement to purchase such unremarketed Bonds by causing an amount equal to the aggregate Purchase Price of the unremarketed Bonds to be deposited in immediately available funds in the Liquidity Facility Purchase Account of the Purchase Fund no later than 2:00 p.m. New York City time on the Purchase Date against delivery of such Bonds at the time and in the manner set forth in the Reimbursement Agreement.

The Tender Agent agrees to hold Liquidity Provider Bonds as agent of the Bank and to release any Liquidity Provider Bonds solely in accordance with Part 4 8 of Appendix A of the Ordinance.

SECTION 9 Disbursements from the Purchase Fund. Money in the Remarketing Proceeds Account and Liquidity Facility Purchase Account of the Purchase Fund shall be applied by the Tender Agent by 3:30 p.m. New York City time on each Purchase Date to purchase Bonds tendered to the Tender Agent at the Purchase Price in accordance with Part 4 9 of Appendix A of the Ordinance. Such Purchase Price shall be paid by wire transfer in immediately available funds on such Purchase Date, provided, however, for so long as the Bonds are held in the Book-Entry System, such payment will be in accordance with the requirements of the Book-Entry System.

SECTION 10. Transfer and Delivery of Tendered Bonds for Purchase. A principal amount of Bonds equal to the principal amount of Bonds purchased on behalf of the Remarketing Agent pursuant to Sections 5 and 11 hereof or by the Bank pursuant to Section 8 hereof shall be authenticated by the Paying Agent/Registrar and delivered to, or as instructed by, the Remarketing Agent or the Bank, as appropriate, and the Tender Agent shall cause the Paying Agent/Registrar to register such Bonds in the name or names provided by the Remarketing Agent or the Bank, as applicable. The Remarketing Agent is required to redeliver such Bonds received from the Tender Agent to the respective purchasers not later than 3:30 p.m. New York City time. The Tender Agent shall deliver to the Paying Agent/Registrar for cancellation all Bonds purchased and transferred pursuant to Sections 5, 8 and 11 hereof.

Notwithstanding anything to the contrary in the foregoing paragraph, for so long as the Bonds are held in the system of book-entry of DTC in accordance with Part 3.06 of the Ordinance and Part 4.10 of Appendix A of the Ordinance, (i) any Bond remarketed by the Remarketing Agent shall be delivered to the new beneficial owner thereof by a transfer in the book-entry system of DTC of such remarketed Bond to the applicable DTC Participant account for such beneficial owner; and (ii) Liquidity Provider Bonds shall be delivered to the Bank by a transfer in the book-entry system of DTC of such Liquidity Provider Bonds to the DTC Participant account of the Tender Agent for the benefit of the Bank, as beneficial owner of such Liquidity Provider Bonds.

SECTION 11 Remarketing of Liquidity Provider Bonds The Remarketing Agent shall exercise its best efforts to solicit purchases of any Liquidity Provider Bonds at a price of not less than par, and the proceeds of any remarketing of such Liquidity Provider Bonds shall be deposited into the Remarketing Proceeds Account of the Purchase Fund. Upon receipt by the Tender Agent of funds representing the proceeds of the remarketing of such Liquidity Provider Bonds, new Bonds in place of such Liquidity Provider Bonds so remarketed shall be registered in the names of the buyers thereof by the Paying Agent/Registrar and delivered by the Remarketing Agent to the buyers thereof and the proceeds of such remarketing shall, prior to or simultaneously with such delivery, be transferred by the Tender Agent to the Bank by wire transfer of lawful money of the United States of America freely transferable and immediately available funds as set forth in Section 2.06 of the Reimbursement Agreement. The Tender Agent agrees that it will, immediately upon receipt, send to the Bank by facsimile transmission or other electronic means copies of all notices and other communications received by the Tender Agent with respect to any of the Liquidity Provider Bonds.

SECTION 12 Maintenance of Books and Records The Tender Agent agrees to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City and the Paying Agent/Registrar at all reasonable times.

SECTION 13. Notice Except as specifically provided in this Tender Agent Agreement, all notices, demands and formal actions under this Tender Agent Agreement shall be in writing and mailed, telecommunicated or otherwise delivered to

The Tender Agent	Deutsche Bank Trust Company Americas 60 Wall Street 27 th Floor, MS NYC60-2715 New York, New York 10005 Attention: Corporate Trust Telephone (908)-608-4094 Telecopy (908) 608-3220
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The City	City of Austin, Texas 700 Lavaca, Suite 1510 Austin, Texas 78701 Attention: Treasurer Telephone (512) 974-7882 Telecopy: (512) 370-3838
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The Bank	Dexia Credit Local, New York Branch 445 Park Avenue, 7 th Floor New York, New York 10022 Attention: Senior Vice President and Manager, Public Finance Telephone (212) 515-7003 Telecopy. (212) 753-7516 Attention Vice President of Operations Telephone (212) 408-6016 Facsimile (212) 581-3268
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SECTION 14 General

(a) Payment of Tender Agent Indemnification The City shall pay all reasonable and actual out of pocket expenses of the Tender Agent for acting under

and pursuant to this Tender Agent Agreement as set forth in Annex A hereto. To the extent permitted by law, the City shall indemnify and save harmless the Tender Agent and its officers and employees from and against any and all losses, costs, charges, expenses, judgments and liabilities to third parties arising out of its acting in good faith to carry out the transactions contemplated by this Tender Agent Agreement; provided, however, that such indemnification shall not apply to any losses, costs, charges, expenses, judgments or liabilities caused by the negligence or willful misconduct of the Tender Agent or its officers or employees. The terms of this Section 14(a) shall survive the termination of this Tender Agent Agreement and the payment of the all fees, expenses and amounts due hereunder shall be subject to annual appropriation of available funds by the City for the payment thereof

(b) Tender Agent's Performance: Duty of Care The Tender Agent consents and agrees to (i) hold all sums held by it for the payment of Bonds or Liquidity Provider Bonds, as applicable, in trust for the benefit of the Holders or the Bank, as applicable, until such sums shall be paid to the Holders or the Bank or otherwise disposed of as herein provided, and (ii) perform and comply with all the terms and provisions on its part contained in this Tender Agent Agreement.

The duties and obligations of the Tender Agent shall be determined solely by the express provisions of this Tender Agent Agreement and the Ordinance, and no implied covenants or obligations shall be read into this Tender Agent Agreement against the Tender Agent, and in the absence of negligence or willful misconduct on the part of the Tender Agent, the Tender Agent may conclusively rely, as to the truth of the statements expressed therein, upon any document furnished to the Tender Agent and conforming to the requirements of this Tender Agent Agreement and the Tender Agent may rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties, but in the case of any such document which by any provision hereof is specifically required to be furnished to the Tender Agent, the Tender Agent shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Tender Agent Agreement.

No provision of this Tender Agent Agreement shall be construed to relieve the Tender Agent from liability for its own negligence or willful misconduct or that of its officers or employees

(c) Payments Any provision of this Tender Agent Agreement or any statute to the contrary notwithstanding, the Tender Agent hereby waives any rights to, or liens for, its fees, charges and expenses for services hereunder from funds or

obligations credited to the Purchase Fund. The Tender Agent agrees that it will be reimbursed and compensated for its fees, charges and expenses for acting under and pursuant to this Tender Agent Agreement only from payments to be made by the City pursuant to Section 14(a) hereof.

(d) Term of Tender Agent Agreement This Tender Agent Agreement shall become effective upon the issuance of the Bonds and shall remain in full force and effect until (i) such time as the principal of and premium, if any, and interest on all Bonds under the Ordinance shall have been paid or shall no longer have the right to be tendered for purchase; provided, however, that the City and the Tender Agent shall have fulfilled all their respective obligations hereunder, whereupon this Tender Agent Agreement shall terminate; or (ii) resignation by the Tender Agent or removal of the Tender Agent in accordance with Section 14(e) hereof, it being understood, in each case, that the Tender Agent does not waive or relinquish any rights it may have under Section 14(a) hereof.

(e) Resignation by or Removal of the Tender Agent The Tender Agent may at any time resign and be discharged from the duties and obligations hereby created by giving at least sixty (60) days' written notice by first class mail, postage prepaid, to the City, the Remarketing Agent, the Bank and the Paying Agent/Registrar, provided, that resignation or removal (as set out below) shall not be effective until a successor Tender Agent, which shall be a bank or trust company duly qualified to act in the capacity as a successor Tender Agent, shall have been appointed by the City. If no successor Tender Agent has been appointed within thirty (30) days after the effective date specified in such notice of resignation by the Tender Agent, the Tender Agent may request a court of competent jurisdiction to appoint a successor Tender Agent having the qualifications required by law. The Tender Agent may be removed at any time, at the direction of the City, by an instrument signed by the City and filed with the Tender Agent, Remarketing Agent, the Bank and the Paying Agent/Registrar. A copy of such notice of resignation or instrument of removal shall be sent by the Paying Agent/Registrar to the Rating Agency by which the Bonds are then rated.

(f) Amendments (i) This Tender Agent Agreement may not be amended so as to adversely affect the right of the Holders or the Bank to effect the purchase of Bonds pursuant to the Ordinance without the prior written approval of the Bank and (ii) the City agrees to give to the Tender Agent prompt written notice of any modification or change of or supplement or amendment to the Ordinance which would affect the rights or obligations of the Tender Agent hereunder. No such modification or change shall be effective against the Tender Agent unless the Tender Agent shall have consented thereto in writing.

(g) Successors and Assigns. The rights, duties and obligations of the City, the Paying Agent/Registrar, the Remarketing Agent and the Tender Agent hereunder shall inure, without further act, to their respective successors and permitted assigns; provided, however, that the Tender Agent may not assign or delegate its rights and obligations under this Tender Agent Agreement without the prior written consent of the City and, provided further, any successor Tender Agent shall execute a tender agent agreement substantially in the form and substance as this Tender Agent Agreement.

(h) Counterparts This Tender Agent Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument

(i) Limited Liability Any obligation of the City created by or arising out of this Tender Agent Agreement and owing to the Tender Agent shall be a limited unsecured obligation of the City, payable solely from the Pledged Revenues, in accordance with the customary payment approval procedures, policies and processes of the City

(j) Governing Law. This Agreement shall be governed by the laws of the State of Texas.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Tender Agent Agreement to be duly executed and delivered as of the date first above written by their respective officers thereunto duly authorized.

DEUTSCHE BANK TRUST COMPANY
AMERICAS, New York, New York

(BANK SEAL)

By: _____
Title: _____

ATTEST

Address 25 DeForest Avenue, 2nd Floor
Summit, NJ 07901

By _____
Title _____

CITY OF AUSTIN, TEXAS

Will Wynn, Mayor

Address 700 Lavaca, Suite 1510
Austin, Texas 78701

(CITY SEAL)

ATTEST.

Shirley A Gentry
City Clerk

ANNEX A
FEES OF THE TENDER AGENT

**Exhibit F
to
Ordinance**

BOND PURCHASE AGREEMENT

Exhibit P
July 24, 2008

CITY OF AUSTIN, TEXAS
(A political subdivision of the State of Texas
located in Travis and Williamson Counties)

§ _____
Hotel Occupancy Tax
Subordinate Lien Variable Rate Revenue Refunding Bonds
Series 2008 (Subseries A)

BOND PURCHASE AGREEMENT

August 13, 2008

Honorable Mayor and City Council
City of Austin, Texas
301 West 2nd Street
Austin, Texas 78701

Ladies and Gentlemen

The undersigned, Morgan Keegan & Company, Inc. (the "*Underwriter*"), acting on its own behalf and not acting as a fiduciary or agent for you, offers to enter into the following agreement (this "*Agreement*") with the City of Austin, Texas (the "*Issuer*"), which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Austin, Texas time, on August 13, 2008, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein).

1. **Purchase and Sale of the Bonds** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's \$ _____ Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (Subseries A) (the "*Bonds*"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the Issuer, but rather is acting solely in its capacity as an underwriter for its own account.

The Bonds shall be issued and secured under and pursuant to the provisions of (i) Ordinance No. 20080724-____, including the appendix and exhibits thereto, adopted by the Issuer on July 24, 2008, and (ii) a pricing certificate, dated as of _____, 2008,

signed by an authorized representative of the City appointed by the City Council and duly authorized to approve the pricing and terms of sale for the Bonds (collectively, the "Ordinance") Capitalized terms used herein and not otherwise defined shall have the meaning assigned in the Ordinance

The Bonds shall mature on November 15, 2029, subject to redemption prior to maturity as described in the Ordinance Initially, the Bonds will be issued as variable rate bonds accruing interest in a Weekly Mode from the date of the Closing (as herein defined) at a Weekly Rate (initially ___% per annum) (unless converted to a different Mode in accordance with the Ordinance) The purchase price for the Bonds shall be \$_____ (representing the par amount of the Bonds, less an Underwriter's discount of \$_____)

In connection with the Bonds, the Issuer has entered into (a) an ISDA Master Agreement, including the Schedule and Confirmation thereto, with Morgan Keegan Financial Products ("MKFP"), dated as of August __, 2008, (b) a Credit Support Annex to the Schedule to the ISDA Master Agreement, with Deutsche Bank AG, New York Branch ("Deutsche Bank"), dated as of August __, 2008 and (c) Replacement Transaction Agreement with MKFP and Deutsche Bank, dated as of August __, 2008 The ISDA Master Agreement, the Schedule, the Confirmation, the Credit Support Annex and the Replacement Transaction Agreement are collectively referred to as the "Swap Agreement" Concurrently with the execution of this Agreement, the Issuer has executed a Bond Purchase Agreement with Banc of America Securities LLC, relating to the issuance by the Issuer its \$_____ Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (Subseries B) (the "Subseries B Bonds") on substantially the same terms as provided herein with respect to the issuance of the Bonds

2. **Public Offering** The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not to exceed the public offering price set forth on the front cover of the Official Statement and, subsequently, may change such offering prices without any requirement of prior notice On or before Closing, the Underwriter shall execute a certificate prepared by Bond Counsel verifying the initial offering prices to the public at which a substantial amount of each stated maturity of the Bonds was sold to the public The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the front cover of the Official Statement

3. **The Official Statement**

(a) The Issuer has prepared a final Official Statement relating to the Bonds, which is (i) dated August 7, 2008 and (ii) complete as of such date and as of the date of this Agreement within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12, as amended (the "Rule") Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may

be authorized for use with respect to the Bonds, is herein referred to as the "*Official Statement* "

(b) The Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds, and the Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer has provided to the Underwriter copies of the Official Statement which was complete as of the date of its delivery to the Underwriter in such quantity as requested by the Underwriter, and, during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period" (as defined in the Rule), the Issuer shall provide, or cause to be provided, to the Underwriter such additional copies of the Official Statement as the Underwriter shall reasonably request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board

(c) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) ninety (90) days from the "end of the underwriting period" and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the judgment of the Underwriter, reasonably exercised, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either an amendment or a supplement to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement

(d) The Underwriter hereby agrees to file the Official Statement with a nationally recognized municipal securities information repository. Unless

otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

4. **Representations, Warranties, and Covenants of the Issuer** The Issuer hereby represents and warrants to and covenants with the Underwriter that

(a) The Issuer is a duly organized municipal corporation and a political subdivision of the State of Texas (the "State"), duly created, validly existing, and acting under the provisions of the Constitution and the laws of the State (including the Issuer's home rule charter), and the Issuer has full legal right, power and authority pursuant to the Constitution and the laws of the State, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 334, Texas Local Government Code, as amended, and Chapter 351, Texas Tax Code, as amended (collectively, the "Acts"), and its home rule charter, and at the date of the Closing will have full legal right, power and authority (i) to enter into, execute and deliver this Agreement, the Ordinance, the escrow agreement described in the Ordinance (the "*Escrow Agreement*"), the Continuing Disclosure Undertaking (as defined in Section 6(j)(2) hereof), the Remarketing Agreement, the Tender Agent Agreement, the Liquidity Facility, the Swap Agreement and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinance, the Escrow Agreement, the Continuing Disclosure Undertaking, the Remarketing Agreement, the Tender Agent Agreement, the Liquidity Facility, the Swap Agreement and such other documents are hereinafter referred to as the "*Issuer Documents*"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, (iii) to levy and collect the Pledged Hotel Occupancy Tax Revenues and the Special Hotel Occupancy Tax (collectively, the "*Hotel Taxes*") and (iv) to carry out and consummate the transactions contemplated by this Agreement, the Ordinance and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects with the terms of its home rule charter, applicable State law (including the Acts) and the Issuer Documents as they pertain to such transactions,

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement,

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights, the Bonds, when issued, delivered and paid for, in accordance with the Ordinance and this Agreement, will constitute legal, valid and binding limited obligations of the Issuer payable from and secured by a lien on and pledge of the Pledged Revenues (as described in the Official Statement), entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights, and upon the issuance, authentication and delivery of the Bonds as aforesaid, the Ordinance will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth in the Ordinance,

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is (or any of its property or assets are) otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds, the Issuer Documents and the adoption of the Ordinance and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, law or administrative regulation judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject, or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Ordinance,

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds have been duly obtained or will be obtained prior to the Closing, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds,

(f) The Bonds and the Ordinance conform to the descriptions thereof contained in the Official Statement under the captions "SECURITY FOR THE BONDS" and "DESCRIPTION OF THE BONDS", the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the

captions "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS", and the Continuing Disclosure Undertaking contained in the Ordinance conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION",

(g) Except as otherwise provided in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings", during the last five (5) years the Issuer has complied in all material respects with its previous Continuing Disclosure Undertakings made by it in accordance with the Rule.

(h) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge or collection of Pledged Revenues pledged to the payment of the principal of and interest on the Bonds pursuant to the Ordinance or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds (including the security therefor) or the Issuer Documents,

(i) As of the date thereof, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

(j) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

(k) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 3 of this Agreement at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to

and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds,

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (1) to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (2) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will promptly advise the Underwriter of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose,

(n) The Issuer's financial statements and the other information regarding the Issuer's financial condition and operations set forth in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth and there has been no adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information,

(o) The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the Issuer's financial condition or operations,

(p) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money (other than the Subseries B Bonds) or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Underwriter,

(q) Any certificate signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement, shall

be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein, and

(r) The Issuer covenants that between the date hereof and the date of the Closing it will take no action within its control which will cause the representations and warranties made in this Section to be untrue as of the Closing

5. Closing

(a) At 10 00 a m , Austin, Texas time, on August 14, 2008, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "*Closing*"), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Deutsche Bank Trust Company Americas, New York, New York (the "*Paying Agent/Registrar*"), or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter

(b) Delivery of the Bonds in definitive form shall be made through The Depository Trust Company, New York, New York ("*DTC*") The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, registered in the name of Cede & Co., all as provided in the Ordinance, and shall be made available to the Underwriter before Closing for the purpose of inspection

6. Closing Conditions The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligation under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing,

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(c) At the time of the Closing, (i) the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter, (ii) the net proceeds of the sale of the Bonds and any funds to be provided by the Issuer shall be deposited and applied as described in the Official Statement and in the Ordinance, and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented,

(e) At the time of the Closing, (i) all official action of the Issuer relating to the Subseries B Bonds shall be in full force and effect and shall not have been amended, modified or supplemented, (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to in the Bond Purchase Agreement for the Subseries B Bonds and (iii) the net proceeds of the sale of the Subseries B Bonds shall be deposited and applied as described in the Official Statement and in the Ordinance,

(f) At or prior to the Closing, the Ordinance shall have been duly adopted by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the definitive Bonds,

(g) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the judgment of the Underwriter, reasonably exercised, is material and adverse and that makes it, in such judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement,

(h) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money,

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter,

(j) At or prior to the Closing, the Underwriter shall have received a copy of each of the following documents

(1) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Underwriter,

(2) A copy of the Ordinance, which shall contain the undertaking of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule (the "*Continuing Disclosure Undertaking*"), certified by the City Clerk as having been duly adopted by the Issuer and in full force and effect, with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Escrow Agreement, having been duly executed by the Issuer and Deutsche Bank Trust Company Americas, New York, New York (the "Escrow Agent"),

(4) The approving opinion of Fulbright & Jaworski L L P ("*Bond Counsel*") with respect to the Bonds, in substantially the form attached to the Official Statement.

(5) A supplemental opinion of Bond Counsel addressed to the Issuer and the Underwriter, substantially to the effect that

(i) the Ordinance has been duly adopted and is in full force and effect,

(ii) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "*1933 Act*"), and the Trust Indenture Act of 1939, as amended (the "*Trust Indenture Act*"), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act, and

(iii) the statements and information in the Official Statement under the captions "PLAN OF FINANCING-Refunded Bonds," "SECURITY FOR THE BONDS" (except for information in the last sentence of the first paragraph and the second paragraph of the subcaption "Historical Hotel Occupancy Tax Receipts" and under the subcaptions "Historical Hotel Occupancy Tax Collections," "Top Twenty Hotel Occupancy Taxpayers" and "Historical Hotel Occupancy Data"), "DESCRIPTION OF THE BONDS" (except for information under the subcaption "Book-Entry Tenders," "Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents" and "Bondholders Remedies"), "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT - Alternative

Liquidity Facility", "THE SWAP AGREEMENTS," "TAX EXEMPTION," "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subsection captioned "Compliance With Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds," "OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and in APPENDIX C accurately and fairly describe the provisions of the Bonds and the Ordinance and are correct as to matters of law.

(6) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that

(i) the Bonds are exempted securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Bonds, to register any securities under the 1933 Act and the Ordinance need not be qualified under the Trust Indenture Act, and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system and the information regarding the municipal bond insurance policy, in each case as to which no view need be expressed),

(7) A certificate, dated the date of Closing, of an appropriate official of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein or in any certificate or document delivered by the Issuer pursuant to the provisions hereof are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, (ii) no litigation or proceeding against the Issuer is pending or, to the best of his or her knowledge, threatened in any court or administrative body, nor is there a basis for litigation, which would (a) contest the right of the council members, officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) attempt to restrain or enjoin the issuance or delivery of the Bonds or the Issuer's levy and collection of the Hotel

Taxes, or contest the validity, due authorization and execution of the Bonds or the Issuer Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues (or making payments on the Bonds) pursuant to the Ordinance or other income, or levying, assessing or collecting the Pledged Revenues, pledged or to be pledged, to pay the principal of and interest on the Bonds, or the pledge thereof, (iii) all official actions of the Issuer relating to the Official Statement, the Bonds and the Issuer Documents have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed, (iv) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, provided, however, that the Issuer makes no representations with respect to the descriptions in the Official Statement of The Depository Trust Company, New York, New York, or its book-entry-only system, or the information provided by the Bank and included in Appendix F to the Official Statement and (v) there has not been any material adverse change in the financial condition of the Issuer since September 30, 2007, the latest date as of which audited financial information is available,

(8) A certificate of an appropriate official of the Issuer to the effect that KPMG LLP and Mendoza & Company, PC, have consented to the inclusion in the Official Statement of certain excerpts (or the complete audited financial statements) of the Issuer, and their report thereon for the Issuer's fiscal year ended September 30, 2007,

(9) A certificate of the Issuer, dated the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Issuer there are no other

facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate,

(10) The approving opinion of the Attorney General of the State of Texas and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds and the Swap Agreements;

(11) Evidence of ratings assigned to the Bonds of “___/___” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and “___/___” by Moody’s Investors Service, Inc., as a result of the issuance of the Liquidity Facility by the Bank,

(12) Fully executed counterparts of the Remarketing Agreement, the Tender Agent Agreement and the Swap Agreement,

(13) The Liquidity Facility, having been duly executed by the Issuer and Dexia Credit Local, acting through its New York Branch (the “Bank”);

(14) An opinion of Andrews Kurth LLP, domestic counsel to the Bank, in a form acceptable to the Underwriter,

(15) An opinion of foreign counsel to the Bank in a form acceptable to the Underwriter,

(16) A certificate of the Bank with respect to the accuracy of statements contained in the Official Statement regarding the Liquidity Facility and the Bank,

(17) A copy of a special report prepared by The Arbitrage Group, Inc., independent certified public accountants, addressed to the Issuer, Bond Counsel and the Underwriter, verifying (i) the arithmetical computations of the adequacy of the maturing principal and interest on the Federal Securities and uninvested cash on hand under the Escrow Agreement to pay, when due, the principal of and interest on the Refunded Bonds, and (ii) the computation of the yield with respect to the Federal Securities and the Bonds,

(18) Evidence that moneys or Federal Securities sufficient to effectuate the refunding and defeasance of the Refunded Bonds have been received by the Escrow Agent and that such moneys or Federal Securities have been deposited in the escrow fund under the Escrow Agreement and

(19) Such additional legal opinions, certificates, instruments and other documents as are required by the Ordinance for the issuance thereunder of the Bonds or as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as

of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter. The Underwriter has reviewed the Continuing Disclosure Undertaking made by the Issuer in the Ordinance

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Section 8 hereof shall continue in full force and effect

7. Termination The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole reasonable judgment of the Underwriter, by the occurrence of any of the following

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein,

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press

release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws (as amended and then in effect) or any rule or regulation promulgated thereunder;

(c) any state blue sky or securities commission or other governmental agency or body in any state in which more than 15% of the Bonds have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein or issued a stop order or similar ruling relating thereto,

(d) there shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by such exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction

(e) additional material restrictions upon trading in securities generally not in force as of the date hereof shall have been imposed by the New York Stock Exchange or by any other national securities exchange or any governmental authority having jurisdiction, or the New York Stock Exchange, any other national securities exchange or any governmental authority having jurisdiction, shall have imposed, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of Underwriter or broker-dealers,

(f) a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred,

(g) a general banking moratorium declared by federal, State of New York, or State officials authorized to do so,

(h) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the collection of Pledged Revenues to pay the Issuer's obligations secured by

and payable from the Pledged Revenues (including principal of and interest on the Bonds),

(i) any fact or event shall exist or have existed, or information shall become known which makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

(j) there shall have occurred since the date of this Agreement any materially adverse change in the operations or financial condition of the Issuer,

(k) the United States shall have either become engaged in hostilities that did not exist prior to the date hereof or issued a declaration of war or a national emergency, or there shall have occurred a new material outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise,

(l) there shall have occurred or notice shall have been given of any intended downgrading or published negative change in outlook in the rating accorded to any of the Issuer's debt obligations that are secured in a like manner as the Bonds (including the Bonds), and

(m) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission, and such prohibition is not the result of the Underwriter's action or non-action

8. Expenses

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, (ii) the fees and disbursements of Bond Counsel and the Issuer's Financial Advisor, (iii) the fees and disbursements of any other attorneys, engineers, accountants, and other experts, consultants or advisers retained by the Issuer, (iv) the fees for bond ratings and municipal bond insurance, if any, (v) the costs of preparing, printing and mailing the Official Statement; (vi) the fees and expenses of the Paying Agent/Registrar, (vii) advertising expenses (except any advertising expenses of the Underwriter as set forth below) (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and officials of the Issuer, (ix) the Attorney General's review fee, and (x) any other expenses mutually agreed to by the Issuer and the Underwriter to be

reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any, (ii) all advertising expenses in connection with the public offering of the Bonds, and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter

9. Notices Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to City of Austin, Texas, 700 Lavaca, Suite 1510, Austin, Texas 78701, Attention Treasurer, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Morgan Keegan & Company, Inc., 5956 Sherry Lane, Suite 1900, Dallas, Texas 75225, Attention Tom Oppenheim

10. Parties in Interest This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter, (ii) delivery of and payment for the Bonds pursuant to this Agreement, and (iii) any termination of this Agreement

11. Effectiveness This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance

12. Choice of Law This Agreement shall be governed by and construed in accordance with the laws of the State of Texas

13. Severability If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever

14. Business Day For purposes of this Agreement "business day" means any day on which (a) the New York Stock Exchange is open for trading and (b) the payment system of the Federal Reserve System is operational

15. **Section Headings** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement

16. **Counterparts** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document

[Execution Page Follows]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between the Issuer and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

MORGAN KEEGAN & COMPANY, INC

By _____
Name _____
Title _____

ACCEPTED and agreed to as of the date first written above

CITY OF AUSTIN, TEXAS

By _____
Name _____
Title _____

[Execution Page]

CITY OF AUSTIN, TEXAS
(A political subdivision of the State of Texas
located in Travis and Williamson Counties)

§ _____
Hotel Occupancy Tax
Subordinate Lien Variable Rate Revenue Refunding Bonds
Series 2008 (Subseries B)

BOND PURCHASE AGREEMENT

August 13, 2008

Honorable Mayor and City Council
City of Austin, Texas
301 West 2nd Street
Austin, Texas 78701

Ladies and Gentlemen

The undersigned, Banc of America Securities LLC (the "*Underwriter*"), acting on its own behalf and not acting as a fiduciary or agent for you, offers to enter into the following agreement (this "*Agreement*") with the City of Austin, Texas (the "*Issuer*"), which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Austin, Texas time, on August 13, 2008, and if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein).

1. **Purchase and Sale of the Bonds** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's \$_____ Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (Subseries B) (the "*Bonds*"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the Issuer, but rather is acting solely in its capacity as an underwriter for its own account.

The Bonds shall be issued and secured under and pursuant to the provisions of (i) Ordinance No. 20080724-____, including the appendix and exhibits thereto, adopted by the Issuer on July 24, 2008, and (ii) a pricing certificate, dated as of _____, 2008, signed

by an authorized representative of the City appointed by the City Council and duly authorized to approve the pricing and terms of sale for the Bonds (collectively, the "*Ordinance*") Capitalized terms used herein and not otherwise defined shall have the meaning assigned in the Ordinance

The Bonds shall mature on November 15, 2029, subject to redemption prior to maturity as described in the Ordinance Initially, the Bonds will be issued as variable rate bonds accruing interest in a Weekly Mode from the date of the Closing (as herein defined) at a Weekly Rate (initially ___% per annum) (unless converted to a different Mode in accordance with the Ordinance) The purchase price for the Bonds shall be \$_____ (representing the par amount of the Bonds, less an Underwriter's discount of \$_____)

In connection with the Bonds, the Issuer has entered into (a) an ISDA Master Agreement, including the Schedule and Confirmation thereto, with Morgan Keegan Financial Products ("MKFP"), dated as of August __, 2008, (b) a Credit Support Annex to the Schedule to the ISDA Master Agreement, with Deutsche Bank AG, New York Branch ("Deutsche Bank"), dated as of August __, 2008 and (c) Replacement Transaction Agreement with MKFP and Deutsche Bank, dated as of August __, 2008 The ISDA Master Agreement, the Schedule, the Confirmation, the Credit Support Annex and the Replacement Transaction Agreement are collectively referred to as the "*Swap Agreement*" Concurrently with the execution of this Agreement, the Issuer has executed a Bond Purchase Agreement with Morgan Keegan & Company, Inc relating to the issuance by the Issuer its \$_____ Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (Subseries A) (the "*Subseries A Bonds*") on substantially the same terms as provided herein with respect to the issuance of the Bonds

2. **Public Offering** The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not to exceed the public offering price set forth on the front cover of the Official Statement and, subsequently, may change such offering prices without any requirement of prior notice On or before Closing, the Underwriter shall execute a certificate prepared by Bond Counsel verifying the initial offering prices to the public at which a substantial amount of each stated maturity of the Bonds was sold to the public The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the front cover of the Official Statement

3. **The Official Statement**

(a) The Issuer has prepared a final Official Statement relating to the Bonds, which is (i) dated August 7 2008 and (ii) complete as of such date and as of the date of this Agreement within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12, as amended (the "*Rule*") Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts pictures diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may

be authorized for use with respect to the Bonds, is herein referred to as the "Official Statement"

(b) The Official Statement has been prepared for use by the Underwriter in connection with the public offering sale and distribution of the Bonds, and the Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer has provided to the Underwriter copies of the Official Statement which was complete as of the date of its delivery to the Underwriter in such quantity as requested by the Underwriter, and, during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period" (as defined in the Rule), the Issuer shall provide, or cause to be provided, to the Underwriter such additional copies of the Official Statement as the Underwriter shall reasonably request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board

(c) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) ninety (90) days from the "end of the underwriting period" and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Bonds) the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the judgment of the Underwriter, reasonably exercised, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either an amendment or a supplement to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement

(d) The Underwriter hereby agrees to file the Official Statement with a nationally recognized municipal securities information repository. Unless

otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing

4. **Representations, Warranties, and Covenants of the Issuer** The Issuer hereby represents and warrants to and covenants with the Underwriter that

(a) The Issuer is a duly organized municipal corporation and a political subdivision of the State of Texas (the "State"), duly created, validly existing, and acting under the provisions of the Constitution and the laws of the State (including the Issuer's home rule charter); and the Issuer has full legal right, power and authority pursuant to the Constitution and the laws of the State, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 334, Texas Local Government Code, as amended, and Chapter 351, Texas Tax Code, as amended (collectively, the "Acts"), and its home rule charter, and at the date of the Closing will have full legal right, power and authority (i) to enter into, execute and deliver this Agreement, the Ordinance, the escrow agreement described in the Ordinance (the "Escrow Agreement"), the Continuing Disclosure Undertaking (as defined in Section 6(j)(2) hereof), the Remarketing Agreement, the Tender Agent Agreement, the Liquidity Facility, the Swap Agreement and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinance, the Escrow Agreement, the Continuing Disclosure Undertaking, the Remarketing Agreement, the Tender Agent Agreement, the Liquidity Facility, the Swap Agreement and such other documents are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, (iii) to levy and collect the Pledged Hotel Occupancy Tax Revenues and the Special Hotel Occupancy Tax (collectively, the "Hotel Taxes") and (iv) to carry out and consummate the transactions contemplated by this Agreement, the Ordinance and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects with the terms of its home rule charter, applicable State law (including the Acts) and the Issuer Documents as they pertain to such transactions,

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement,

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights, the Bonds, when issued, delivered and paid for, in accordance with the Ordinance and this Agreement, will constitute legal, valid and binding limited obligations of the Issuer payable from and secured by a lien on and pledge of the Pledged Revenues (as described in the Official Statement), entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights, and upon the issuance, authentication and delivery of the Bonds as aforesaid, the Ordinance will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth in the Ordinance,

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is (or any of its property or assets are) otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds, the Issuer Documents and the adoption of the Ordinance and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, law or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject, or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Ordinance,

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds have been duly obtained or will be obtained prior to the Closing, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds,

(f) The Bonds and the Ordinance conform to the descriptions thereof contained in the Official Statement under the captions 'SECURITY FOR THE BONDS' and 'DESCRIPTION OF THE BONDS', the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the

captions "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS", and the Continuing Disclosure Undertaking contained in the Ordinance conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION";

(g) Except as otherwise provided in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings", during the last five (5) years the Issuer has complied in all material respects with its previous Continuing Disclosure Undertakings made by it in accordance with the Rule,

(h) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge or collection of Pledged Revenues pledged to the payment of the principal of and interest on the Bonds pursuant to the Ordinance or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds (including the security therefor) or the Issuer Documents,

(i) As of the date thereof, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

(j) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

(k) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to

and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds,

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (1) to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (2) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will promptly advise the Underwriter of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose,

(n) The Issuer's financial statements and the other information regarding the Issuer's financial condition and operations set forth in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth and there has been no adverse change of a material nature in the financial position results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information,

(o) The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the Issuer's financial condition or operations,

(p) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money (other than the Subseries A Bonds) or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Underwriter,

(q) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall

be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein, and

(r) The Issuer covenants that between the date hereof and the date of the Closing it will take no action within its control which will cause the representations and warranties made in this Section to be untrue as of the Closing

5. Closing

(a) At 10 00 a m , Austin, Texas time, on August 14, 2008, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "*Closing*"), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Deutsche Bank Trust Company Americas, New York, New York (the "*Paying Agent/Registrar*"), or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter

(b) Delivery of the Bonds in definitive form shall be made through The Depository Trust Company, New York, New York ("*DTC*") The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, registered in the name of Cede & Co , all as provided in the Ordinance, and shall be made available to the Underwriter before Closing for the purpose of inspection

6. **Closing Conditions** The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligation under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance reasonably satisfactory to the Underwriter

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing,

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(c) At the time of the Closing, (i) the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter, (ii) the net proceeds of the sale of the Bonds and any funds to be provided by the Issuer shall be deposited and applied as described in the Official Statement and in the Ordinance, and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented,

(e) At the time of the Closing, (i) all official action of the Issuer relating to the Subseries A Bonds shall be in full force and effect and shall not have been amended, modified or supplemented, (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to in the Bond Purchase Agreement for the Subseries A Bonds and (iii) the net proceeds of the sale of the Subseries A Bonds shall be deposited and applied as described in the Official Statement and in the Ordinance,

(f) At or prior to the Closing, the Ordinance shall have been duly adopted by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the definitive Bonds,

(g) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the judgment of the Underwriter, reasonably exercised, is material and adverse and that makes it, in such judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement,

(h) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money,

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter

(j) At or prior to the Closing, the Underwriter shall have received a copy of each of the following documents

(1) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Underwriter,

(2) A copy of the Ordinance, which shall contain the undertaking of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule (the "*Continuing Disclosure Undertaking*"), certified by the City Clerk as having been duly adopted by the Issuer and *in full force and effect, with such supplements or amendments as may have been agreed to by the Underwriter,*

(3) The Escrow Agreement, having been duly executed by the Issuer and Deutsche Bank Trust Company Americas, New York, New York (the "Escrow Agent"),

(4) The approving opinion of Fulbright & Jaworski L L P ("*Bond Counsel*") with respect to the Bonds, in substantially the form attached to the Official Statement,

(5) A supplemental opinion of Bond Counsel addressed to the Issuer and the Underwriter, substantially to the effect that

(i) the Ordinance has been duly adopted and is in full force and effect,

(ii) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "*1933 Act*"), and the Trust Indenture Act of 1939, as amended (the "*Trust Indenture Act*"), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act, and

(iii) the statements and information in the Official Statement under the captions "PLAN OF FINANCING-Refunded Bonds," "SECURITY FOR THE BONDS" (except for information in the last sentence of the first paragraph and the second paragraph of the subcaption "Historical Hotel Occupancy Tax Receipts" and under the subcaptions "Historical Hotel Occupancy Tax Collections," "Top Twenty Hotel Occupancy Taxpayers" and "Historical Hotel Occupancy Data"), "DESCRIPTION OF THE BONDS" (except for information under the subcaption "Book-Entry Tenders," "Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents" and "Bondholders Remedies"), "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT - Alternative

Liquidity Facility", "THE SWAP AGREEMENTS," "TAX EXEMPTION," "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subsection captioned "Compliance With Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds," "OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and in APPENDIX C accurately and fairly describe the provisions of the Bonds and the Ordinance and are correct as to matters of law,

(6) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that

(i) the Bonds are exempted securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Bonds, to register any securities under the 1933 Act and the Ordinance need not be qualified under the Trust Indenture Act, and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system and the information regarding the municipal bond insurance policy, in each case as to which no view need be expressed),

(7) A certificate, dated the date of Closing, of an appropriate official of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein or in any certificate or document delivered by the Issuer pursuant to the provisions hereof are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, (ii) no litigation or proceeding against the Issuer is pending or, to the best of his or her knowledge, threatened in any court or administrative body, nor is there a basis for litigation, which would (a) contest the right of the council members, officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) attempt to restrain or enjoin the issuance or delivery of the Bonds or the Issuer's levy and collection of the Hotel

Taxes, or contest the validity, due authorization and execution of the Bonds or the Issuer Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues (or making payments on the Bonds) pursuant to the Ordinance or other income, or levying, assessing or collecting the Pledged Revenues, pledged or to be pledged, to pay the principal of and interest on the Bonds, or the pledge thereof, (iii) all official actions of the Issuer relating to the Official Statement, the Bonds and the Issuer Documents have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed, (iv) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, provided, however, that the Issuer makes no representations with respect to the descriptions in the Official Statement of The Depository Trust Company, New York, New York, or its book-entry-only system, or the information provided by the Bank and included in Appendix F to the Official Statement, and (v) there has not been any material adverse change in the financial condition of the Issuer since September 30, 2007, the latest date as of which audited financial information is available,

(8) A certificate of an appropriate official of the Issuer to the effect that KPMG LLP and Mendoza & Company, PC, have consented to the inclusion in the Official Statement of certain excerpts (or the complete audited financial statements) of the Issuer, and their report thereon, for the Issuer's fiscal year ended September 30, 2007,

(9) A certificate of the Issuer, dated the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Issuer there are no other

facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate,

(10) The approving opinion of the Attorney General of the State of Texas and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds and the Swap Agreements,

(11) Evidence of ratings assigned to the Bonds of “_/_” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and “_/_” by Moody’s Investors Service, Inc., as a result of the issuance of the Liquidity Facility by the Bank,

(12) Fully executed counterparts of the Remarketing Agreement, the Tender Agent Agreement and the Swap Agreement,

(13) The Liquidity Facility, having been duly executed by the Issuer and Dexia Credit Local, acting through its New York Branch (the “Bank”),

(14) An opinion of Andrews Kurth LLP, domestic counsel to the Bank, in a form acceptable to the Underwriter,

(15) An opinion of foreign counsel to the Bank in a form acceptable to the Underwriter,

(16) A certificate of the Bank with respect to the accuracy of statements contained in the Official Statement regarding the Liquidity Facility and the Bank,

(17) A copy of a special report prepared by The Arbitrage Group, Inc., independent certified public accountants, addressed to the Issuer, Bond Counsel and the Underwriter, verifying (i) the arithmetical computations of the adequacy of the maturing principal and interest on the Federal Securities and uninvested cash on hand under the Escrow Agreement to pay, when due, the principal of and interest on the Refunded Bonds, and (ii) the computation of the yield with respect to the Federal Securities and the Bonds,

(18) Evidence that moneys or Federal Securities sufficient to effectuate the refunding and defeasance of the Refunded Bonds have been received by the Escrow Agent and that such moneys or Federal Securities have been deposited in the escrow fund under the Escrow Agreement, and

(19) Such additional legal opinions, certificates, instruments and other documents as are required by the Ordinance for the issuance thereunder of the Bonds or as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as

of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter. The Underwriter has reviewed the Continuing Disclosure Undertaking made by the Issuer in the Ordinance.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

7. **Termination** The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole reasonable judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein,

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press

release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws (as amended and then in effect) or any rule or regulation promulgated thereunder,

(c) any state blue sky or securities commission or other governmental agency or body in any state in which more than 15% of the Bonds have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto,

(d) there shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by such exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction,

(e) additional material restrictions upon trading in securities generally not in force as of the date hereof shall have been imposed by the New York Stock Exchange or by any other national securities exchange or any governmental authority having jurisdiction, or the New York Stock Exchange, any other national securities exchange or any governmental authority having jurisdiction, shall have imposed as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of Underwriter or broker-dealers,

(f) a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred,

(g) a general banking moratorium declared by federal, State of New York, or State officials authorized to do so,

(h) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the collection of Pledged Revenues to pay the Issuer's obligations secured by

and payable from the Pledged Revenues (including principal of and interest on the Bonds).

(i) any fact or event shall exist or have existed, or information shall become known which makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

(j) there shall have occurred since the date of this Agreement any materially adverse change in the operations or financial condition of the Issuer,

(k) the United States shall have either become engaged in hostilities that did not exist prior to the date hereof or issued a declaration of war or a national emergency, or there shall have occurred a new material outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise,

(l) there shall have occurred or notice shall have been given of any intended downgrading or published negative change in outlook in the rating accorded to any of the Issuer's debt obligations that are secured in a like manner as the Bonds (including the Bonds), and

(m) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission, and such prohibition is not the result of the Underwriter's action or non-action

8. Expenses

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, (ii) the fees and disbursements of Bond Counsel and the Issuer's Financial Advisor, (iii) the fees and disbursements of any other attorneys, engineers, accountants, and other experts, consultants or advisers retained by the Issuer, (iv) the fees for bond ratings and municipal bond insurance, if any, (v) the costs of preparing, printing and mailing the Official Statement, (vi) the fees and expenses of the Paying Agent/Registrar, (vii) advertising expenses (except any advertising expenses of the Underwriter as set forth below) (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and officials of the Issuer, (ix) the Attorney General's review fee, and (x) any other expenses mutually agreed to by the Issuer and the Underwriter to be

reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any, (ii) all advertising expenses in connection with the public offering of the Bonds, and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter

9. Notices Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to City of Austin, Texas, 700 Lavaca, Suite 1510, Austin, Texas 78701, Attention: Treasurer, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Banc of America LLC, 700 Louisiana Street, 7th Floor, Houston, Texas, 77002, Attention: Keith Richard

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter, (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement

11. Effectiveness This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance

12. Choice of Law This Agreement shall be governed by and construed in accordance with the laws of the State of Texas

13. Severability If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever

14. Business Day For purposes of this Agreement, "business day" means any day on which (a) the New York Stock Exchange is open for trading and (b) the payment system of the Federal Reserve System is operational

15. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement

16. **Counterparts** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document

[Execution Page Follows]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between the Issuer and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

BANC OF AMERICA SECURITIES LLC

By _____
Name _____
Title _____

ACCEPTED and agreed to as of the date first written above

CITY OF AUSTIN, TEXAS

By _____
Name _____
Title _____

[Execution Page]

**Exhibit G
to
Ordinance**

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Article 11 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Article are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year
- 2 The information under the numbered tables.

Accounting Principles

The accounting principles referred to in such Article are the generally accepted accounting principles as applicable to governmental units as prescribed by The Government Accounting Standards Board.

Exhibit H
to
Ordinance

FORM OF WEEKLY MODE OR DAILY MODE BOND

July 24, 2008

EXHIBIT H
FORM OF BOND IN DAILY OR WEEKLY MODE

REGISTERED

NO. [TR-1] – *Initial Bond*

[R-1] – *Definitive Bond*

REGISTERED

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS
HOTEL OCCUPANCY TAX SUBORDINATE LIEN VARIABLE RATE
REVENUE REFUNDING BOND,
SERIES 2008
Subseries [A][B]

Dated Date August 14, 2008

Holder. [Morgan Keegan & Company, Inc] – *Initial Bond – Subseries 2008A*
[Banc of America Securities LLC] - *Initial Bond – Subseries 2008B*
[CEDE & CO] – *Definitive Bond of both subseries*

Principal Amount.

Interest Rate Variable Rate

As hereinafter described, under certain circumstances on certain dates this Bond is required to be tendered for purchase to the Tender Agent at a price equal to 100% of the principal amount hereof plus, if such date is not an Interest Payment Date, interest accrued and unpaid hereon to but not including the date of such tender. The Holder hereof who is required to tender this Bond for purchase shall be entitled solely to the payment of such purchase price and shall not be entitled to the payment of any principal hereof or any interest accrued hereon on or after such date.

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the Holder named above, or the registered assigns thereof, solely from the revenues hereinafter identified, the Principal Amount hereinabove stated on November 15, 2029 (or so much thereof as shall not have been prepaid prior to maturity) and to pay interest at the per annum rate or rates determined and established in accordance with the Ordinance

referred to below on the unpaid portion thereof from the date of issuance of this Bond, and such accrued interest shall be due and payable on each Interest Payment Date. Terms not otherwise defined herein shall have the meanings set forth in the Ordinance. To the extent of any conflict between the terms of this Bond and the Ordinance, the provisions of the Ordinance shall supersede the terms of this Bond.

From the date of issuance to but not including August 21, 2008 (the "Initial Period"), this Bond shall bear interest at the rate determined in connection with the initial sale and delivery of this Bond. After the Initial Period, this Bond shall bear interest at the Weekly Rate, as determined in accordance with the Ordinance. At no time shall this Bond bear interest at a rate higher the Maximum Rate. If this Bond or any portion of the principal amount hereof becomes a Liquidity Provider Bond, it shall bear interest at the Liquidity Provider Interest Rate.

Interest during the Initial Period and while this Bond bears interest at a Daily Rate or Weekly Rate shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed, all as determined in accordance with the Ordinance.

The interest rate on this Bond may, in accordance with the terms of the Ordinance, be converted to bear interest at a Daily Rate, a different Weekly Rate, a Commercial Paper Rate, an Auction Rate, a Term Rate, or a Fixed Rate, all in accordance with the Ordinance. When a change in interest rate to a Daily Rate, an Auction Rate, Commercial Paper Rate, Term Rate or Fixed Rate is to occur, this Bond shall be subject to mandatory tender as described herein and in the Ordinance.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Ordinance, be paid to the Person whose name appears on the Security Register (the "Holder") at the close of business on the applicable Record Date. Such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Holder recorded in the Security Register, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Holder.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5)

business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Principal of and premium, if any, on this Bond shall be payable at its Stated Maturity, or earlier redemption, only upon presentation and surrender of this Bond to the Paying Agent/Registrar at its designated offices, initially in New York, New York (the "Designated Payment/Transfer Office").

All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Paying Agent/Registrar and the Tender Agent initially appointed with respect to this Bond is Deutsche Bank Trust Company Americas, in the City of New York, New York.

If the specified date for any payment hereon shall be a day other than a Business Day, then such payment need not be made on such day but may be paid on the next succeeding Business Day with the same force and effect as if made on the date of payment

"Business Day" as used herein means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of any of the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to closed, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational.

This Bond is one of the subseries specified in its title issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds") for the purpose of refinancing and refunding certain outstanding obligations of the City, in conformity with the Constitution and laws of the State of Texas, including V T C A , Government Code, Chapters 1207 and 1371, and Vernon's Texas Code Annotated, Local Government Code, Chapter 334, and pursuant to Ordinance No. 20080724-101 adopted by the City Council of the City (the "Ordinance" which term includes Appendix A thereto and a Pricing Certificate executed pursuant thereto)

The Bonds are subject to mandatory redemption prior to maturity with funds on deposit in the Bond Fund established and maintained for the payment thereof in the Ordinance, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium, as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2009	
November 15, 2010	
November 15, 2011	
November 15, 2012	
November 15, 2013	
November 15, 2014	
November 15, 2015	
November 15, 2016	
November 15, 2017	
November 15, 2018	
November 15, 2019	
November 15, 2020	
November 15, 2021	
November 15, 2022	
November 15, 2023	
November 15, 2024	
November 15, 2025	
November 15, 2026	
November 15, 2027	
November 15, 2028	
November 15, 2029 (maturity)	

The Paying Agent/Registrar shall select by lot the numbers of the Bonds to be redeemed on the next following November 15, in accordance with the Ordinance, provided, however, that the principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Bonds which, at least 50 days prior to the mandatory redemption date, (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional

redemption provisions described below and not theretofore credited against a mandatory redemption requirement.

While this Bond bears interest at a Daily Rate or a Weekly Rate, it is subject to *optional redemption in whole or in part, on any Business Day, at a redemption price equal to the principal amount thereof, plus unpaid accrued interest from the Closing Date or the most recent interest payment date to the Redemption Date.*

At least fifteen days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the Business Day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder

In the event a portion of the principal amount of a Bond is to be redeemed, payment of the redemption price of such principal amount shall be made to the Holder only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like subseries, of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the Holder, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the Holder within 45 days of the redemption date therefor, provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond redeemed in part.

So long as this Bond is in a Daily Mode or a Weekly Mode and a Liquidity Facility is in effect, the Holder hereof may elect to have this Bond purchased on any Business Day at a price equal to the Purchase Price, upon delivery to the Tender Agent and Remarketing Agent of an irrevocable notice submitted by Electronic Means; promptly confirmed in writing by such Owner, delivered by telecopier by 11 00 a m , for Daily Mode, and 4 00 p m for Weekly Mode

This Bond is subject to mandatory tender by the Holder hereof upon the happening of certain events or occurrences in the Ordinance. When a mandatory tender is to occur, a mandatory tender notice is required to be given in accordance with the Ordinance to the Holders of all the Bonds then outstanding and the Bonds shall be

subject to mandatory tender for purchase at a purchase price equal to the principal thereof and unpaid accrued interest to the Mandatory Purchase Date

The City has entered into a Reimbursement Agreement, dated as of August 1, 2008 (the "Initial Reimbursement Agreement"), with Dexia Credit Local, acting through its New York Branch (the "Initial Liquidity Provider"), pursuant to which the Initial Liquidity Provider will advance its own funds under a direct pay letter of credit (the "Initial Letter of Credit") to purchase for its own account Bonds tendered or deemed tendered pursuant to the provisions in the Ordinance, except to the extent such tendered Bonds are purchased with remarketing proceeds as described in the Ordinance. The Initial Reimbursement Agreement entitles the Paying Agent/Registrar to draw an amount sufficient to pay the principal of the Bonds plus up to 35 days' interest thereon at 12.00% per annum. As described in the Ordinance, the City may replace the Initial Liquidity Provider with another Alternate Liquidity Facility, pursuant to which the City is obligated to reimburse the Initial Liquidity Provider for all drawings made under the Initial Letter of Credit. The Initial Letter of Credit expires on [August 14, 2011], unless extended or earlier terminated in accordance with the provisions of the Initial Reimbursement Agreement.

The Bonds are special obligations of the City payable solely from and, together with the other Parity Obligations executed and delivered in connection with the issuance of the Bonds, equally and ratably secured by a subordinate parity lien on and pledge of, the Pledged Revenues in the manner provided in the Ordinance. Additionally, the Bonds shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Bond Fund and the Reserve Fund in accordance with the terms of the Ordinance. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City, except with respect to the Pledged Revenues. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien or subordinate lien on and pledge of the Pledged Revenues, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinance, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds, the Pledged Revenues, the

nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations, the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Holder hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees

It is hereby certified, recited, represented and covenanted that the City is a duly organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas, that the issuance of the Bonds is duly authorized by law, that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance, that the Bonds do not exceed any constitutional or statutory limitation, and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of the Pledged Revenues as aforesated. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be
duly executed under the official seal of the City

CITY OF AUSTIN, TEXAS

Will Wynn, Mayor

COUNTERSIGNED.

Shirley A Gentry, City Clerk

(SEAL)

[For Initial Bond Only]

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
OF PUBLIC ACCOUNTS) REGISTER NO. _____
)
THE STATE OF TEXAS)

I HEREBY CERTIFY that this Bond has been examined, certified as to
validity and approved by the Attorney General of the State of Texas, and
registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____

Comptroller of Public Accounts
of the State of Texas

(SEAL)

[For Definitive Bonds only]

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner shown above under the provisions of the within-mentioned Ordinance, the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar

The designated offices of the Paying Agent/Registrar in New York, New York is the "Designated Payment/Transfer Office" for this Bond.

DEUTSCHE BANK TRUST
COMPANY AMERICAS,
New York, New York,
as Paying Agent/Registrar

Registration Date

By _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee)

(Social Security or other identifying number: _____)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature guaranteed

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

**Exhibit I
to
Ordinance**

FORM OF AUCTION RATE MODE

July 24, 2008

EXHIBIT I
FORM OF AUCTION RATE MODE BOND

REGISTERED
NO R-__

REGISTERED
\$[_____]

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
HOTEL OCCUPANCY TAX SUBORDINATE LIEN AUCTION RATE
REVENUE REFUNDING BOND
SERIES 2008
SUBSERIES [A][B]

Dated Date. August 14, 2008

Holder: [CEDE & CO.]

Principal Amount.

Interest Rate Variable Rate

As hereinafter described, under certain circumstances on certain dates this Bond is required to be tendered for purchase to the Tender Agent at a price equal to 100% of the principal amount hereof plus, if such date is not an Interest Payment Date, interest accrued and unpaid hereon to but not including the date of such tender. The Holder hereof who is required to tender this Bond for purchase shall be entitled solely to the payment of such purchase price and shall not be entitled to the payment of any principal hereof or any interest accrued hereon on or after such date.

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the order of the Holder named above, or the registered assigns thereof, solely from the revenues hereinafter identified, the Principal Amount hereinabove stated on November 15, 2029 (or so much thereof as shall not have been prepaid prior to maturity) and to pay interest at the per annum rate or rates determined and established in accordance with the Ordinance referred to below on the unpaid portion thereof from the date of issuance of this Bond, and such accrued interest shall be due and payable on each Interest Payment Date. Terms not otherwise defined herein shall have the meanings set forth in the Ordinance. To the extent of any conflict between the terms of this Bond and the Ordinance the provisions of the Ordinance shall supersede the terms of this Bond.

From the date on which the interest rate on this Bond was converted to an Auction Rate (or, if later, most recent date to which interest has been paid), this Bond shall bear interest at the Auction Rate as determined in accordance with the Ordinance. At no time shall this Bond bear interest at a rate higher the Maximum Rate.

When an Auction Mode is in effect and the Auction Period is 180 days or less, interest shall be calculated on the basis of a 360 day year for the actual days elapsed. When an Auction Mode is in effect and the Auction Period is greater than 180 days, interest on Bonds shall be calculated on the basis of a 360 day year of twelve 30 day months

The interest rate on this Bond may, in accordance with the terms of the Ordinance, be converted to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, or a Fixed Rate, all in accordance with the Ordinance. When a such a change in interest rate is to occur, this Bond shall be subject to mandatory tender as described herein and in the Ordinance

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Ordinance, be paid to the Person whose name appears on the Security Register (the "Holder") at the close of business on the applicable Record Date. Such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Holder recorded in the Security Register, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Holder

In the event of a non-payment of interest on a Record Date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice

Principal of and premium, if any, on this Bond shall be payable at its Stated Maturity, or earlier redemption, only upon presentation and surrender of this Bond to the Paying Agent/Registrar at its designated offices, initially in New York, New York (the "Designated Payment/Transfer Office")

All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts

[Note. Change if Paying Agent/Registrar or the Tender Agent changes at conversion to the Auction Rate Mode] The Paying Agent/Registrar and the Tender Agent initially appointed with respect to this Bond is Deutsche Bank Trust Company Americas, in the City of New York, New York.

If the specified date for any payment hereon shall be a day other than a Business Day, then such payment need not be made on such day but may be paid on the next succeeding Business Day with the same force and effect as if made on the date of payment.

"Business Day" as used herein means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of any of the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to closed, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational

This Bond is one of the subseries specified in its title issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds") for the purpose of refinancing and refunding certain outstanding obligations of the City, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapters 1207 and 1371, and Vernon's Texas Code Annotated, Local Government Code, Chapter 334, and pursuant to Ordinance No. 20080724-101 adopted by the City Council of the City (the "Ordinance" which term includes Appendix A thereto and a Pricing Certificate executed pursuant thereto).

The Bonds are subject to mandatory redemption prior to maturity with funds on deposit in the Bond Fund established and maintained for the payment thereof in the Ordinance, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium. as follows

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2009	
November 15, 2010	
November 15, 2011	
November 15, 2012	
November 15, 2013	
November 15, 2014	
November 15, 2015	
November 15, 2016	
November 15, 2017	
November 15, 2018	
November 15, 2019	
November 15, 2020	
November 15, 2021	
November 15, 2022	
November 15, 2023	
November 15, 2024	
November 15, 2025	
November 15, 2026	
November 15, 2027	
November 15, 2028	
November 15, 2029 (maturity)	

The Paying Agent/Registrar shall select by lot the numbers of the Bonds to be redeemed on the next following November 15, in accordance with the Ordinance, provided, however, that the principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Bonds which, at least 50 days prior to the mandatory redemption date, (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions described below and not theretofore credited against a mandatory redemption requirement

While this Bond bears interest at an Auction Rate, it is subject to optional redemption in whole or in part, in Authorization Denominations, at a redemption price equal to the principal amount thereof, premium, if any, plus unpaid accrued

interest, if any, to the redemption date, on the Interest Payment Date immediately following the end of the Auction Period, provided, however, that for a partial redemption of this Bond, the aggregate principal amount of this Bond which will remain outstanding shall be equal to or more than \$10,000,000 unless otherwise consented to by each Broker-Dealer.

At least fifteen days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the Business Day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder

In the event a portion of the principal amount of a Bond is to be redeemed, payment of the redemption price of such principal amount shall be made to the Holder only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like subseries, of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the Holder, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the Holder within 45 days of the redemption date therefor, provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond redeemed in part.

This Bond is subject to mandatory tender by the Holder hereof upon the happening of certain events or occurrences in the Ordinance. When a mandatory tender is to occur, a Mandatory Tender Notice is required to be given to the Holders of all the Bonds then outstanding and the Bonds shall be subject to mandatory tender for purchase at a purchase price equal to the principal thereof and unpaid accrued interest to the Mandatory Tender Date

[Insert description of Liquidity Facility, if any]

The Bonds are special obligations of the City payable solely from and, together with the other Parity Obligations executed and delivered in connection with the issuance of the Bonds, equally and ratably secured by a subordinate parity lien on and pledge of, the Pledged Revenues in the manner provided in the Ordinance. Additionally, the Bonds shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Bond Fund and the Reserve Fund in accordance with the terms of the Ordinance. The Bonds do not constitute a legal

or equitable pledge, charge, lien or encumbrance upon any property of the City, except with respect to the Pledged Revenues. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien or subordinate lien on and pledge of the Pledged Revenues, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinance, a copy of which is on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond, the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar, the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder, and for the other terms and provisions contained therein.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Holder hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

It is hereby certified, recited, represented and covenanted that the City is a duly organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance, that the Bonds do

not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of the Pledged Revenues as aforesaid. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be duly executed under the official seal of the City as of the Dated Date.

CITY OF AUSTIN, TEXAS

Will Wynn, Mayor

COUNTERSIGNED

Shirley A Gentry, City Clerk

(SEAL)

[For Initial Bond Only]

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
OF PUBLIC ACCOUNTS) REGISTER NO _____
THE STATE OF TEXAS)

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

[For Definitive Bonds only]

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner shown above under the provisions of the within-mentioned Ordinance, the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar in New York, New York is the "Designated Payment/Transfer Office" for this Bond

DEUTSCHE BANK TRUST
COMPANY AMERICAS.
New York, New York,
as Paying Agent/Registrar

Registration Date

By: _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee)

(Social Security or other identifying number. _____)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and
appoints _____ attorney to transfer the
within Bond on the books kept for registration thereof, with full power of
substitution in the premises

DATED _____

Signature guaranteed.

NOTICE. The signature on this
assignment must correspond with
the name of the registered owner as
it appears on the face of the within
Bond in every particular

**Exhibit J
to
Ordinance**

FORM OF TERM RATE MODE OR FIXED RATE MODE BOND

July 24, 2008

EXHIBIT J
FORM OF BOND IN [COMMERCIAL PAPER] [TERM] [FIXED] MODE

REGISTERED
NO. R-___

REGISTERED
\$[_____]

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS
HOTEL OCCUPANCY TAX SUBORDINATE LIEN
[COMMERCIAL PAPER] [TERM] [FIXED] RATE
REVENUE REFUNDING BOND,
SERIES 2008
Subseries [A][B]

Dated Date August 14, 2008

Holder. [CEDE & CO]

Principal Amount

Interest Rate. ___%

*[Note This paragraph is for Commercial Paper Bonds and Term Rate Bonds only]
As hereinafter described, under certain circumstances on certain dates this Bond is required to be tendered for purchase to the Tender Agent at a price equal to 100% of the principal amount hereof plus, if such date is not an Interest Payment Date, interest accrued and unpaid hereon to but not including the date of such tender. The Holder hereof who is required to tender this Bond for purchase shall be entitled solely to the payment of such purchase price and shall not be entitled to the payment of any principal hereof or any interest accrued hereon on or after such date.*

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the order of the Holder named above, or the registered assigns thereof, solely from the revenues hereinafter identified, the Principal Amount hereinabove stated on November 15, 2029 (or so much thereof as shall not have been prepaid prior to maturity) and to pay interest at the per annum rate or rates determined and established in accordance with the Ordinance referred to below on the unpaid portion thereof from the date of issuance of this Bond, and such accrued interest shall be due and payable on *[the] [each]* Interest Payment Date. Terms not otherwise defined herein shall have the meanings set

forth in the Ordinance. To the extent of any conflict between the terms of this Bond and the Ordinance, the provisions of the Ordinance shall supersede the terms of this Bond. *[Note Use "the" Interest Payment Date for Commercial Paper Rate Bonds and "each" Interest Payment Date for Term Rate Bonds and Fixed Rate Bonds]*

This Bond shall bear interest at the *[Commercial Paper]* *[Term]* *[Fixed]* Rate, as determined in accordance with the Ordinance. At no time shall this Bond bear interest at a rate higher the Maximum Rate. [If this Bond or any portion of the principal amount hereof becomes a Liquidity Provider Bond, it shall bear interest at the Liquidity Provider Interest Rate.]

Interest during the *[Commercial Paper Rate]* *[Term Rate]* *[Fixed Rate]* Period shall be calculated on the basis of a *[Note For Commercial Paper Rate Period. 365/366 day year for the actual number of days elapsed]* *[Note For Term Rate Period or Fixed Rate Period: 360 day year comprised of twelve 30-day months]*, all as determined in accordance with the Ordinance

The interest rate on this Bond may, in accordance with the terms of the Ordinance, be converted to bear interest at a Daily Rate, a Weekly Rate, *[a Commercial Paper Rate,]* *[a Term Rate,]* *[a Fixed Rate,]* or an Auction Rate, all in accordance with the Ordinance. When a change in interest rate to a *[Daily Rate,]* *[Weekly Rate,]* *[Fixed Rate,]* *[Commercial Paper Rate,]* *[Term Rate]* or Auction Rate is to occur, this Bond shall be subject to mandatory tender as described herein and in the Ordinance. *[Note Delete reference to the current Rate]*

The interest so payable, and punctually paid or duly provided for, on *[the]* *[any]* Interest Payment Date will, as provided in the Ordinance, be paid to the Person whose name appears on the Security Register (the "Holder") at the close of business on the applicable Record Date. Such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Holder recorded in the Security Register, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Holder *[Note Use "the" Interest Payment Date for Commercial Paper Rate Bonds and "any" Interest Payment Date for Term Rate Bonds and Fixed Rate Bonds]*

[Note Delete this paragraph for Bonds in the Commercial Paper] In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which

shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice. *[Note for Term Rate Mode add provided, however, such paragraph shall not be applicable on a Purchase Date]*

Principal of and premium, if any, on this Bond shall be payable at its Stated Maturity, or earlier redemption, only upon presentation and surrender of this Bond to the Paying Agent/Registrar at its designated offices, initially in New York, New York (the "Designated Payment/Transfer Office").

All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts

[Note Change if Paying Agent/Registrar or the Tender Agent changes at conversion to Commercial Paper Mode, Term Mode, or Fixed Mode] The Paying Agent/Registrar and the Tender Agent initially appointed with respect to this Bond is Deutsche Bank Trust Company Americas, in the City of New York, New York.

If the specified date for any payment hereon shall be a day other than a Business Day, then such payment need not be made on such day but may be paid on the next succeeding Business Day with the same force and effect as if made on the date of payment

"Business Day" as used herein means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of any of the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to closed, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational

This Bond is one of the subseries specified in its title issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds") for the purpose of refinancing and refunding certain outstanding obligations of the City, in conformity with the Constitution and laws of the State of Texas, including VTC A , Government Code, Chapters 1207 and 1371, and Vernon's Texas Code Annotated, Local Government Code, Chapter 334, and pursuant to Ordinance No. 20080724-101 adopted by the City Council of the City (the "Ordinance" which

term includes Appendix A thereto and a Pricing Certificate executed pursuant thereto).

The Bonds are subject to mandatory redemption prior to maturity with funds on deposit in the Bond Fund established and maintained for the payment thereof in the Ordinance, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium, as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2009	
November 15, 2010	
November 15, 2011	
November 15, 2012	
November 15, 2013	
November 15, 2014	
November 15, 2015	
November 15, 2016	
November 15, 2017	
November 15, 2018	
November 15, 2019	
November 15, 2020	
November 15, 2021	
November 15, 2022	
November 15, 2023	
November 15, 2024	
November 15, 2025	
November 15, 2026	
November 15, 2027	
November 15, 2028	
November 15, 2029 (maturity)	

The Paying Agent/Registrar shall select by lot the numbers of the Bonds to be redeemed on the next following November 15, in accordance with the Ordinance; provided, however, that the principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Bonds which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar

for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions described below and not theretofore credited against a mandatory redemption requirement.

[Note: Include only for Bonds in the Commercial Paper Mode] While this Bond bears interest at a Commercial Paper Rate, it is subject to optional redemption in whole or in part, on their respective Purchase Dates at the redemption price of the principal amount thereof, plus accrued interest from the most recent Interest Payment Date to the Redemption Date.

[Note: Include only for Term Rate Bonds] While this Bond bears interest at a Term Rate during an Interest Rate Period that is less than four years, it is subject to optional redemption in whole or in part, on their individual Purchase Dates at the redemption price of the principal amount thereof, plus accrued interest from the most recent interest payment date to the Redemption Date

[Note: Include only for Term Rate Bonds and Fixed Rate Bonds] While this Bond bears interest at a [Term Rate during an Interest Rate Period that is equal to or greater than four years] [Fixed Rate], it is subject to optional redemption in whole or in part, on any date at a redemption price equal to the principal amount thereof, plus interest from the most recent interest payment date to the Redemption Date following the "No Call Period" set forth below

OPTIONAL REDEMPTION

Duration of Interest Period	No Call Period (commencing on the date of commencement of the [Term Rate] [Fixed Rate Mode] Interest Period)
Greater than or equal to 11 years.	8 years
Greater than or equal to 8 years and less than 11 years	6 years
Greater than or equal to 4 years and less than 8 years	3 years
<i>[Note: Include for Fixed Rate Bonds Only]</i> Duration of Interest Period is less than 4 years.	Bonds are subject to optional redemption at any time.]

At least thirty *[[for Term Rate or Fixed Rate]* fifteen *[[for Commercial Rate Mode]* days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the Business Day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

In the event a portion of the principal amount of a Bond is to be redeemed, payment of the redemption price of such principal amount shall be made to the Holder only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like subseries, of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the Holder, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the Holder within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond redeemed in part.

[Note Delete for Fixed Rate Bonds] This Bond *[For Commercial Paper Mode "is"]**[[For Term Rate Mode "may be"]* subject to mandatory tender by the Holder hereof upon the happening of certain events or occurrences in the Ordinance. When a mandatory tender is to occur, a mandatory tender notice is required to be given in accordance with the Ordinance to the Holders of all the Bonds then outstanding and the Bonds shall be subject to mandatory tender for purchase at a purchase price equal to the principal thereof and unpaid accrued interest to the Mandatory Purchase Date.

[Insert description of Liquidity Provider in the case of Commercial Paper Rate Bonds and Term Rate Bonds, if any]

The Bonds are special obligations of the City payable solely from and, together with the other Parity Obligations executed and delivered in connection with the issuance of the Bonds, equally and ratably secured by a subordinate parity lien on and pledge of, the Pledged Revenues in the manner provided in the Ordinance. Additionally, the Bonds shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Bond Fund and the Reserve Fund in accordance with the terms of the Ordinance. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City, except with respect to the Pledged Revenues. The holder hereof shall never have

the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien or subordinate lien on and pledge of the Pledged Revenues, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinance, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the Pledged Revenues; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders, the rights, duties, and obligations of the City and the Paying Agent/Registrar, the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder, and for the other terms and provisions contained therein

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Holder hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

It is hereby certified, recited, represented and covenanted that the City is a duly organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas, that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance, that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has

been made for the payment of the principal of and interest on the Bonds by a pledge of the Pledged Revenues as aforesated In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be duly executed under the official seal of the City as of the Dated Date

CITY OF AUSTIN, TEXAS

Will Wynn, Mayor

COUNTERSIGNED

Shirley A Gentry, City Clerk

(SEAL)

[For Initial Bond Only]

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
OF PUBLIC ACCOUNTS) REGISTER NO. _____
)
THE STATE OF TEXAS)

I HEREBY CERTIFY that this Bond has been examined, certified as to
validity and approved by the Attorney General of the State of Texas, and registered
by the Comptroller of Public Accounts of the State of Texas

WITNESS my signature and seal of office this _____

Comptroller of Public Accounts
of the State of Texas

(SEAL)

[For Definitive Bonds only]

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner shown above under the provisions of the within-mentioned Ordinance; the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar in New York, New York is the "Designated Payment/Transfer Office" for this Bond.

DEUTSCHE BANK TRUST
COMPANY AMERICAS,
New York, New York,
as Paying Agent/Registrar

Registration Date:

By: _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee:)

(Social Security or other identifying number _____)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and
appoints _____ attorney to transfer the
within Bond on the books kept for registration thereof, with full power of
substitution in the premises.

DATED:

Signature guaranteed:

NOTICE: The signature on this
assignment must correspond with
the name of the registered owner as
it appears on the face of the within
Bond in every particular